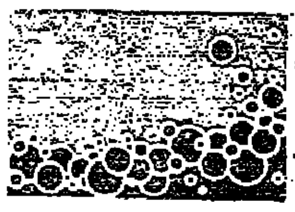


Soap warfare

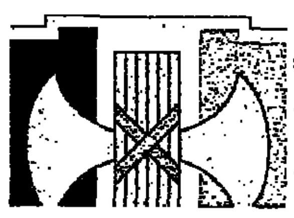
Unilever and P&G join battle in China

Page 17

Wine into water

The demise of the liquid lunch

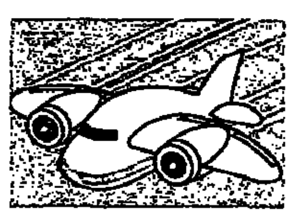
Page 13



Jeunesse française

Mitterrand and the Vichy legacy

Page 16



The executive

Plaything or business tool?

Page 16

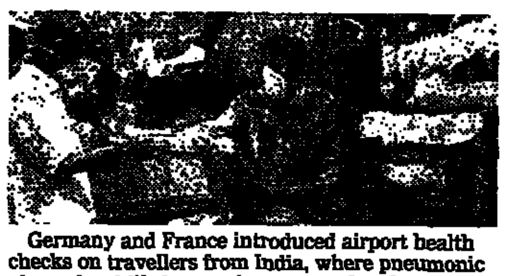
FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY SEPTEMBER 28 1994

D8523A

Travellers face extra checks as plague fears grow



Germany and France introduced airport health checks on travellers from India, where pneumonic plague has killed more than 40 people. The moves follow similar measures taken by the Gulf states, where thousands of Indians work, and by many Asian countries. Other European countries, such as Britain and the Netherlands, have not yet tightened controls. In India itself, suspected cases of the plague multiplied, and in Ahmedabad (pictured above) protective face masks sold steadily. Page 4

Japanese ex-minister cleared: Takao Fujinami, 61, a former Japanese chief cabinet secretary, was acquitted of bribery in Tokyo. His had been a key name in the 1980s Recruit stocks-for-favours scandal that tainted many senior Japanese politicians. Page 18

Prince takes hotels stake: Saudi financier *Prince al-Waleed bin Talal bin Abdulaziz, who came* to the rescue of Euro Disney earlier this year, is paying C$165m (US$123m) for 25 per cent of Canada's Four Seasons Hotels. The prince, largest single shareholder in US bank Citicorp, also has interests in San Francisco-based Fairmont hotels. Page 19

US soldier dies in Haiti: US army officials were investigating the death of a US soldier found with gunshot wounds in Port-au-Prince. Suicide is suspected. Page 6

Lebanon's first eurobond offering is launched today to help fund reconstruction of the war-torn country. The target of the issue was raised from $150 to $300m because of strong demand. Page 19; International bonds, Page 23

Nigerian military tightens grip: Nigeria's ruler, Gen Sani Abacha, appointed an enlarged ruling council composed of military men only. Remaining civilian members were removed. Page 18

Telecom Italia, main asset in Italy's state-owned telecommunications sector, made first-half taxable profits of L2,175bn ($1.4bn), easing the way for the long-awaited privatisation of Stet, its parent company. Page 19

Plastics flotation planned: EVC International, a European plastics joint venture between ICI of the UK and Italy's EniChem, plans to float about 60 per cent of its share capital on the Amsterdam stock exchange. Page 19; Lex, Page 18

Baghdad prices surge: Food prices in Baghdad are soaring as Iraqis scramble to cope with a government decision to cut rations by as much as half. The weekend decision has brought the harshest decisions since UN sanctions came into force more than four years ago.

Hungary honours Soros: Hungarian-born financier and philanthropist George Soros was decorated by his native country for contributions to Hungary's modernisation.

Call for debt write-offs: The International Monetary Fund and the World Bank should write off some of the debt owed them by very poor African countries, British parliamentarians from the all-party Parliamentary Group on Overseas Development said in a report.

German taxpayers complain: The league of German taxpayers accused government of wasting about DM60bn ($39bn) a year of taxpayers' money through carelessness and incompetence.

Mazda of Japan is to stop sales in the US of offroad cars made by Ford. The end of the sales venture is hitch on road towards closer co-operation between the two vehicle producers. Page 9

Rocket kills guests: More than 40 people were killed and about 70 injured in the Afghan capital, Kabul, when a rocket landed on a wedding party. Another rocket fell in a street, killing three people.

Canal Plus, French subscription TV group, has taken a 24.9 per cent stake in Vox, the German satellite TV company that went into liquidation in April. Page 19

Channel record broken: American Chad Hundeby broke the English Channel swimming record by 23 minutes. He crossed from Dover to Cap Gris-Nez in 7hr 17min.

■ **STOCK MARKET INDICES**

FT-SE 100:	3,098.5	(+8.7)
Yield	4.20	
FT-SE Eurotrack 100	1,340.34	(+1.29)
FT-SE-A All-Share	1,507.56	(+0.2%)
Nikkei	19,468.89	(-345.47)
New York lunchtime:		
Dow Jones Ind Ave	3,864.85	(+14.81)
S&P Composite	461.80	(+0.98)

■ **US LUNCHTIME RATES**

Federal Funds:	$4\frac{11}{16}$%
3-mo Treas Bills: Yld	4.895%
Long Bond	$96\frac{3}{8}$
Yield	7.808%

■ **LONDON MONEY**

3-mo Interbank	$5\frac{7}{8}$%	($5\frac{13}{16}$%)
Liffe long gilt future:	Dec $99\frac{1}{32}$	(Dec$99\frac{1}{8}$)

■ **NORTH SEA OIL (Argus)**

Brent 15-day (Nov)	$16.42	(16.46)

■ **Gold**

New York Comex (Dec)	$401.4	(397.8)
London	$395.4	(395.95)

■ **STERLING**

New York lunchtime:		
$	1.5785	
London:		
$	1.577	(1.5743)
DM	2.4396	(2.4482)
FFr	8.3343	(8.3643)
SFr	2.0213	(2.0265)
Y	154.759	(155.383)
£ Index	79.7	(79.9)

■ **DOLLAR**

New York lunchtime:		
DM	1.54415	
FFr	5.2715	
SFr	1.2810	
Y	98.165	
London:		
DM	1.547	(1.5551)
FFr	5.2849	(5.313)
SFr	1.2817	(1.2873)
Y	98.135	(98.7)
$ Index	62.0	(62.3)

Tokyo close Y 98.46

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.80	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500		
France	FFr0.50	Lebanon	US$1.50	Portugal (m'land)		Turkey	L30000		
Germany	DM3.80	Lux	LFr65		Es225	UAE	Dh12.00		

Italy's unions head for strike over pensions

Government rules out further compromises and brings forward budget

By Robert Graham in Rome

Italy's powerful trades union movement was last night headed for a general strike as the government ruled out further compromises over pensions reform and public spending cuts.

At the same time, the government decided to bring forward the presentation of details of the *1995 budget, which had originally* been due tomorrow. This move demonstrated the determination of Mr Silvio Berlusconi, the prime minister, to outflank the unions by showing the electorate an austerity budget which claims to spread sacrifices fairly.

The budget is seeking to find L48,000bn ($30bn) through spending cuts and fresh revenues to hold the deficit to L138,000bn – just below 9 per cent of gross domestic product. Extra revenue through a reform of the pensions system has been a central issue.

A final meeting between the *government and the heads of the* three main trades confederations was taking place last night. But senior government officials said in advance that the time for concessions had passed. Union leaders considered a last minute compromise unlikely and talked of the inevitability of their long-threatened general strike. In three previous meetings over the past two weeks, the right-wing coalition government has sought to head off a confrontation with the trades union movement. Mr Berlusconi has already reduced the planned level of cuts in *Italy's generous but deficit-ridden* state pensions system. The government has given ground on plans to reduce the costly rate at which pensions accrue from 2 per cent a year closer to the EU norm of 1.5 per cent.

Union leaders are still pressing for further changes in the proposals. They are refusing to accept a proposal that pensioners should be penalised if they have made the necessary equivalent of 35 years contributions but retire before the retirement age.

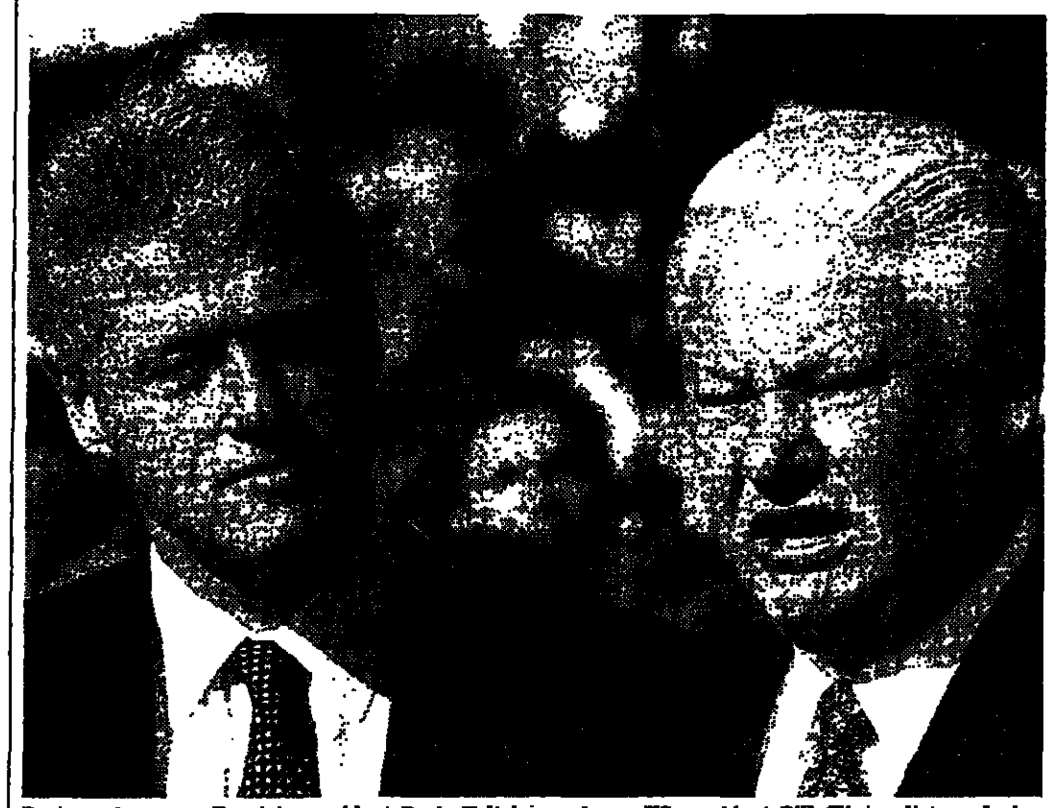
Measures to freeze temporarily inflation adjustments *for pensions are opposed, as is a plan to* link future increases to the annual projected (but not actual) rate of inflation. More generally, the unions insist the government has adopted a short-term approach on budget needs instead of introducing long-term structural reforms. They also want a separation in the budget between transfers for pensions and other welfare payments.

The call for a general strike is expected to be put to union members today. Union officials said yesterday the protest would not be limited to pensions but the entire thrust of the 1995 budget.

The government is gambling on the unions losing public sympathy and hopes to avoid a troubled autumn by playing on fears of social instability as well as concerns for the prospects of what is an increasingly strong industrial recovery. But now more trades unionists are pensioners than active workers.

Already the government faces unrest from civil servants who are pledged to observe a national stoppage on October 13 to protest against stalled pay talks. Also yesterday, local transport workers began a three day series of stoppages, beginning in the north and ending in the south, to protest against the failure to renew contracts fallen due in 1992.

All the coalition partners, including the troublesome Northern League, have suddenly given an unprecedented display of unity over the budget, whose details were due to be released late yesterday.



Partners in peace: Russia's president Boris Yeltsin speaks as US president Bill Clinton listens during welcoming ceremonies at the White House yesterday. The two leaders began a two day summit by saying the former rivals are now partners in seeking world peace. Yeltsin said that it was exciting the two countries could 'join hands'. Clinton was equally positive, he said: 'Where we do disagree we can discuss our differences in a climate of warm peace, not cold war'. Report, Page 18 Picture: Reuter

Study likely to upset European farm lobby

Brussels report to push for wholesale reform of CAP

By Lionel Barber in Brussels

The European Commission will shortly release a controversial report recommending wholesale reform of the Common Agricultural Policy, including scrapping farm production quotas and set-aside payments to farmers.

The report's recommendations challenge the view that favours step-by-step reform of the CAP and are certain to provoke a stormy reaction among the farm lobby in Europe, particularly in France.

But the authors of the study argue that radical reform of the CAP would lighten the burden on taxpayers, reduce consumer prices, and ease the integration of farm-intensive economies of central and eastern Europe into the European Union.

"The objective should be a level of market protection no higher than that enjoyed by other sectors in the EU economy," the report concludes.

The discussion document was drawn up by a group of independent agriculture experts under contract by the Commission's economic and financial affairs directorate. It is one of several internal Commission papers being prepared ahead of the 1996 intergovernmental conference to review the Maastricht treaty.

Its chief recommendations for reform of the CAP – which consumes more than half of the EU's annual Ecu 70bn ($102.8bn) budget – are:

- EU farm prices should be cut to near world price levels in all sectors. All remaining import levies and quotas should be transformed into flat-rate tariffs.
- The phasing of farm subsidies into national budgets over 7-10 years. This would allow member states to decide how to share out the freed-up funds.
- Member states liable to suffer heavy penalties through loss of EU financial support could be compensated through increased contributions from the regional, social and "cohesion" funds, established to assist poorer EU members.

In a foreword to the discussion paper, the Commission makes clear that it does not support the "far-reaching" recommendation written by the report's authors who include a group of agriculture experts headed by Mr Arne Larsen, chief of staff to Mr Finn Gundelach, a former Danish vice-president of the European Commission in the 1970s.

"This is a really hot potato," said a senior Commission official who referred to a "very painful debate" before the decision to publish the report. The consensus had been in favour of publication in the interests of stimulating discussion and debate, the *official explained.*

The most recent reform of the CAP was agreed in 1992 and is still being digested. By 1997, it aims to virtually eliminate export subsidies which EU producers use to dump food on world markets, thereby reducing rampant overproduction.

The report repeats the oft-cited criticism of the CAP for being over-bureaucratic, as well as causing environmental damage and trade tensions. It claims the proposed changes would allow member states to lower their EU budget contributions and reduce consumer prices.

It would also increase the EU's "flexibility towards trading partners and new entrant states," says the report in reference to pressure to admit Poland, Hungary, the Czech Republic and Slovakia into the Union, possibly around the turn of the century.

Fed holds off rate rise despite inflation fears

By George Graham in Washington

The US Federal Reserve indicated yesterday that there would be no immediate move to increase interest rates despite growing fears of rising inflation.

In its traditional elliptical style, the Fed announced that yesterday's meeting of its policy-setting Federal Open Markets Committee had adjourned after more than four hours of discussions and would make no further announcement.

Financial market economists said the Fed could still act to tighten monetary policy before the next FOMC meeting on November 15.

So far this year, the Fed has announced all of its five increases in short-term interest rates. When it raised both the discount rate and the Federal funds rate by half a percentage point last month, it said that was "expected to be sufficient, at least for a time, to meet the objective of sustained, non-inflationary growth".

But economists, who had earlier thought the Fed had succeeded in slowing the economy down to a steadier and less inflation-prone pace, have been taken aback in recent weeks by signs that growth remains strong.

Most alarming to the financial markets was the jump in industrial production in August which took the capacity utilisation rate calculated by the Fed to 84.7 per cent, close to the 85 per cent level at which many economists believe industry starts to hit pro

Continued on Page 18

Crédit Lyonnais expects state aid after FFr4.5bn loss

By Andrew Jack and David Buchan in Paris

Crédit Lyonnais, the embattled French banking group, yesterday announced a FFr4.5bn ($865m) loss for the first half of this year, and said the state had agreed to help if its losses worsened further this year.

The bank set aside further provisions against bad debts of FFr10.1bn, which wiped out its operating profits of FFr5bn. A French state capital injection of FFr4.9bn this summer brought the bank's ratio of own funds to assets to 8.1 per cent – only a shade above the internationally agreed minimum of 8 per cent.

Mr Jean Peyrelevade, Crédit Lyonnais chairman, acknowledged he had over-estimated the degree to which the bank could recover from past bad loans and investments on its own and out of current banking income.

Crédit Lyonnais was announcing results unexpectedly delayed from last Thursday, following emergency consultations between the bank, its auditors and the government.

Mr Peyrelevade denied some suggestions by the government that the state-controlled bank misled it, saying that "we told them [ministers] everything we knew when we knew it".

He said the bank would try to contain this year's loss to last year's level of FFr6.9bn, but conceded that even before that level was reached "we would need a recapitalisation to avoid our solvency ratio falling below the minimum".

In addition to the government and other public sector shareholders in the bank providing the FFr4.9bn capital increase, the *government has also guaranteed* FFr40bn worth of its doubtful property loans.

For the first time, Mr Peyrelevade raised the prospect that Crédit Lyonnais might sell some of its international banking network, in addition to the already announced programme to sell some FFr20bn worth of the group's industrial and financial holdings.

He resisted suggestions that the government had made bank asset sales a condition of further help, but said Crédit Lyonnais "might rectify the frontiers" of its banking business by, for instance, abandoning retail banking in "some distant countries".

This month Crédit Lyonnais said it would reduce its retail

Lex ....Page 18

banking operation in the UK in favour of focusing on corporate banking and market trading.

Some FFr3.4bn of the FFr4.5bn "exceptional" provisions in the first half were related to Crédit Lyonnais's banking subsidiaries of Altus, an investment bank whose high-risk operations had turned wrong; SDBO, which is the main banker to Mr Bernard Tapie; and of CLBN, the Dutch subsidiary whose loans to the American film business required further provisions.

Mr Peyrelevade described a new and tougher regulatory climate in which the bank's new auditors insisted that the bank must start taking precautions against the "latent risks" inherent in the bank's past activities.

The auditors had only certified the first half accounts on condition that the state had *guaranteed to help deal* with these risks, the chairman said.

NEWS: EUROPE

Ex-communists sure of seats in Bundestag

East Germany's former rulers expect to win in east Berlin, reports Judy Dempsey

GERMAN ELECTIONS October 16

Forty years of accepting the ideological certainty of Marxism-Leninism may be one reason why the Party of Democratic Socialism (PDS), the successor to east Germany's former communist party, is not plagued by doubt. The PDS is certain it will enter the Bundestag, or lower house of Germany's federal parliament, but not through winning 5 per cent of the federal vote, the minimum required by any party for parliamentary representation.

Instead, it is concentrating all its efforts on winning outright three constituencies. This would mean the party would automatically qualify for representation according to whatever proportion of the national vote it won. If it wins three constituencies, the PDS would then gain about 18 seats in the Bundestag. It could be in a position to play an important role in shaping the composition of the next government.

"We are very optimistic about winning three seats in east Berlin. We might even pick up one in Potsdam and [the island of] Rügen," says Mr Hanno Harnisch, the PDS's ebullient spokesman. The latest Allensbach opinion poll gives the PDS 4 per cent of the national vote and 19.5 per cent of the east German vote.

But what makes the PDS so sure of victory in east Berlin? "We've got a good membership, the right candidates, and we are helped by a stupid campaign by the political establishment," says Mr Harnisch.

There is no disputing the membership. The PDS boasts a membership of 23,000 in east Berlin, compared to Chancellor Helmut Kohl's Christian Democrats' 3,000, the Social Democrats' 2,600 and the Free Democrats' mere 1,078. Many PDS members – over 90 per cent belonged to the former Communist party – are active at the grassroots level.

"I know these local PDS people," says 83-year-old Mrs Herta Plache. "They visit me and visit the pensioners' club. The other political parties don't seem to care about our problems. I don't care if the PDS are former communists."

The party has also capitalised on the city's unemployment rate, in some regions as high as 40 per cent.

But the choice of candidates – all known locally – has also played a big role in boosting the party's chances. Mr Gregor Gysi, the PDS's charismatic anchorman, is standing in Marzahn-Hellersdorf, a sprawling high-rise suburb in the east of the city, where unemployment is running at 40 per cent. "I'm voting for Gysi because I know him. He speaks our language. He stands up to the Wessis [west Germans], who are always accusing us of being fascists painted red," said Ms Birgit Kühne, a 36-year-old unemployed engineer.

Mr Stefan Heym, whose novels written under the former communist system tried to expose the regime's corruption of the socialist ideal, is standing in Berlin Mitte/Prenzlauer Berg, home to east Berlin's intellectuals and youth culture. Although the PDS is certain Mr Heym will win, the SPD is fielding a strong candidate – Mr Wolfgang Thierse, a member of the party's executive board.

Further east, in the working-class constituency of Lichtenberg-Friedrichshain, the PDS is confident that Ms Christa Luft, economics minister in the last communist government, will win. But again, the SPD is active.

To counter the PDS's support, some CDU officials fear that voters might switch from the CDU to the SPD in order to keep out the PDS. But Mr Harnisch discounts this idea, as indeed do CDU supporters in the capital. "Can a voter really swing that much just to keep us out? No!" he says.

The German government and the Treuhand privatisation agency will provide a massive capital injection to Deutsche Waggonbau, the east German rail carriage maker and one of the last big enterprises to be privatised, *writes Judy Dempsey in Berlin.*

The subsidies, which will run into "triple figures", will finance restructuring and compensate for losses incurred following the virtual collapse of DWA's markets in Russia, Mr Günter Rexrodt, the federal economics minister, said yesterday.

The government's pledge to grant more financial support to DWA, estimated to total DM390m (£160m) for this year alone, coincides with the last weeks of the federal election campaign. The pledge is also another attempt to make DWA more attractive for private investors.

Before German unification, the giant complex, spread over three east German states, employed more than 25,000. That figure has since been reduced to 7,000 and more redundancies are forecast if the Treuhand presses ahead with "strategy DWA 2000", a plan for producing a new generaton of passenger trains. Job losses will however be resisted by both the state governments and IG Metall, the engineering trade union.

East Berlin: "good membership, the right candidates, and a stupid campaign" Ulrike Preuss

EUROPEAN NEWS DIGEST

Danish coalition put together

Mr Poul Nyrup Rasmussen yesterday presented his new three-party minority coalition government to Queen Margrethe following last week's Danish parliamentary elections. The new administration includes Mr Rasmussen's Social Democratic party and the two small centre parties, the Centre Democrats and the Radical Liberals, which were members of the previous government. Individual appointments were expected to be announced later last night. In a policy document agreed by the three coalition parties the government has promised to maintain a tight hold on expenditure and to reduce the budget deficit. *Hilary Barnes, Copenhagen*

Cost of backing rouble

The Russian Central Bank spent $2.5bn (£1.6bn) in the past two months on intervention to support the rouble, reducing its foreign exchange reserves to below $5bn, a senior bank official said yesterday. "It's good for the central bank to raise its currency reserves but it means pumping roubles into the market, fuelling inflation," deputy central bank chairman Alexander Khandruyev told a news conference. "By cutting our reserves by $2.5bn we have introduced a stabilising element into the economy." The rouble fell to a record low of 2,476 to the dollar on the Moscow Interbank Currency Exchange earlier, with the central bank refraining from intervention. Last week it dropped five per cent to the previous record low of 2,460 as the central bank stayed on the sidelines. Mr Alexander Potemkin, head of the central bank's foreign operations, told Itar-Tass news agency last week the 5 per cent drop was the result of a top-level decision to abandon efforts to steer the rouble slowly lower in order to save valuable reserves. *Reuter, Moscow*

League wins RAI channel

Italy's populist Northern League has been promised effective control of the third channel of the RAI, the state broadcasting organisation, in a deal struck between the main partners in the right-wing coalition government. This represents a big concession to the League, which has been long campaigning for greater regionalisation of the RAI and in particular for the right to run a station out of Milan. The compromise follows a threat by the League to undo the government's appointments to the board and editorial management of the RAI. The editorial appointments were announced last week and involve a complete change in the existing controllers in favour of people considered sympathetic to the Berlusconi government. However, the League complained the choice was too narrow Monday's agreement means the appointments to the third channel, will have to be revised. *Robert Graham, Rome*

Concern at Hungary economy

The World Bank and the International Monetary Fund have written to Hungary's new government to express their concern over the country's poor financial and economic situation, the prime minister, Mr Gyula Horn, told parliament yesterday. The two groups warned that the state's high deficit could not be sustained and deep structural changes were needed in public expenditure, Mr Horn said. He said they believed the slowdown in reform in the past two years had cost Hungary its advantage as the pioneer of market-led reforms in the 1980s. The prime minister, who heads a Socialist-dominated cabinet, said the government would draw up a three-year economic programme with the help of the two institutions and the European Union which would be presented to parliament by April 1995. He promised to accelerate privatisation, to limit spending and urged trade unions and employers to accept pay constraint. *Virginia Marsh, Budapest*

Fine for Colgate-Palmolive

Hungary intends to fine Colgate-Palmolive, the US consumer and products group, Ft30m for what it considers "misleading advertising" in a toothpaste TV commercial. The decision follows a complaint by Procter and Gamble of the US, one of the company's main rivals, to the economic competition office in Budapest. The office said a commercial by Colgate-Palmolive which claims calcium helps prevent tooth decay had not been scientifically proved and was therefore misleading. Colgate-Palmolive, which claims it has a 20 per cent share of the Hungarian toothpaste market, said yesterday it would consider whether to appeal once it had received written notice of the office's decision. Procter and Gamble was itself fined last year on the basis of misleading advertising last year after a complaint by Colgate-Palmolive. *Virginia Marsh, Budapest*

German banks under fire

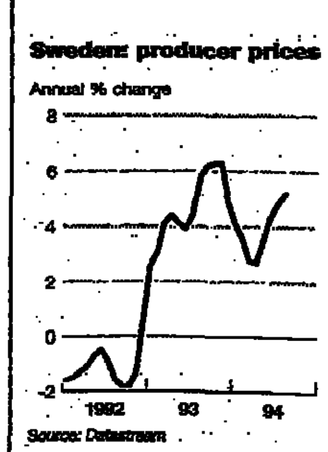
Germany's banks came under fire from the country's main political parties yesterday, and the opposition Social Democrats (SPD) pledged to clip their wings if it wins the general election on October 16. Chancellor Helmut Kohl said he took seriously the complaints of small companies that big banks were too powerful, and his liberal Free Democrat (FDP) coalition partners said bank representation on company boards should be limited. The comments were made in written replies to questions submitted by the Federation of Small and Medium-Sized Businesses, a lobby group representing 29,000 companies. The SPD's shadow finance minister, Mr Oskar Lafontaine went furthest, saying he would take steps to limit banks' power. *Reuter, Bonn*

Biotech market growing

The European market for goods that depend directly on the application of biotechnology is worth £30bn a year in sectors ranging from pharmaceuticals and animal health to chemical and food, according to a survey undertaken by Ernst & Young and funded by the biotech industry. It estimates that 184,000 jobs depend on biotechnology. However, the study found that companies plan to move future investment away from Europe. The US is the favoured location for the future, while Japan and other Asian countries are becoming popular. Companies' reasons for preferring the US include greater public support for biotech investment, a more predictable science-based regulatory structure and better access to skilled staff than in Europe. *Clive Cookson, Science Editor*

ECONOMIC WATCH

Swedish producer prices up



Producer prices in Sweden rose 0.8 per cent during July, contributing to a year-on-year rise of 5.2 per cent, reported the Swedish Bureau of Statistics. Import prices rose 0.9 per cent during the month and were up 5.4 per cent during the past 12 months. The monthly increase of import prices was bolstered by higher coffee prices, which contributed 0.2 points to the total rise, and higher prices on paper pulp, said SCB. Export prices, meanwhile, rose 0.8 per cent in the month and were up 5.0 per cent from 12 months ago. The monthly increase was attributed mainly to paper products, refined petroleum products and chemical products. *AP-DJ and Reuter, Stockholm*

■ Hungary's central budget deficit for the first eight months of 1994 amounted to Ft195.22bn (£1.2bn), or 59.2 per cent of the year's target of Ft329.561bn, the MTI-Econews agency reported.

■ Consumer prices in the western German state of Bavaria rose 0.1 per cent in the month to mid-September and were up 2.9 per cent from a year earlier.

Wide relief over arms embargo

Moslems accept delay, report **Bruce Clark** and **George Graham**

There were sighs of relief in a bizarre mixture of places – from Downing Street and the Elysee to the embattled enclaves of eastern Bosnia – as it became clear yesterday that Bosnia's Moslem leaders would not press their friends in the US administration for an early end to the arms embargo.

Foreign ministries in at least three European capitals – London, Paris, and Bonn – were taking quiet pleasure in the fact that the one of the bitterest transatlantic disputes since the second world war has for now been averted.

Senior European officials had been warning that the standoff over arms supplies to Bosnia had the potential to create the biggest diplomatic row between the US and its closest European allies since the Suez crisis of 1956, when Washington opposed the Anglo-French intervention in Egypt.

They have stressed the devastating blow which such a crisis would deal to Nato's credibility, far exceeding any damage which the alliance may already have suffered from the relative mildness of its air activity over Bosnia.

In their worst nightmares, the European states which contribute ground forces to the UN in Bosnia had imagined a heavily contested withdrawal – with the risk of heavy casualties – as the Serbs took revenge on the international community for arming their Moslem and Croat enemies.

Nato contingency plans for a withdrawal in hostile conditions have yet to be finalised, and it has never been made clear how much help the Americans would be prepared to offer.

European governments have said that such an operation would require the involvement of US ground troops; but the US might in practice be reluctant to commit soldiers to an operation in which many could be killed.

In Washington, US officials said the Bosnian government's willingness to wait six months more for the lifting of the United Nations arms embargo gives further opportunities to press the Bosnian Serbs to accept a peace settlement.

"That five or six months could be very important in trying to persuade the Bosnian Serbs that they should accept the peace plan put forward by the contact group," said Mr Warren Christopher, US secretary of state.

The contact group, which includes the US, Russia, the UK and France, proposed a settlement that would give the Moslems and Croats 51 per cent of the territory of Bosnia-Hercegovina and require the Bosnian Serbs to reduce the portion they now control to 49 per cent.

But the Bosnian Serbs continue to reject the plan, and pressure has been steadily mounting in the US Congress to compel President Bill Clinton to break the UN-imposed arms embargo by supplying weapons to the Bosnian Moslems.

Mr Christopher insisted that the idea of delaying the lifting of the arms embargo came from Bosnia, not the US.

Nevertheless, the move offers a welcome relief to the US administration, which has been backed by Congress into a corner where it might be forced to break a UN embargo against the opposition not only of Russia but also of France and the UK, which have peacekeeping troops at risk in Bosnia.

Mr Haris Silajdzic, the Bosnian prime minister, first broached the idea to Mr Christopher last week and Mr Alija Izetbegovic, Bosnia's president, discussed it with Mr Clinton on Monday.

Mr Izetbegovic was expected to call formally for a delayed end to the arms embargo in a speech to the UN General Assembly yesterday afternoon.

Mr Christopher said Bosnia's reasoning was affected by the onset of winter and the military situation.

"They have indicated they thought in their own self-interest it was better not to have the lifting at this time," Mr Christopher said.

Some observers have warned that the immediate effect of lifting the arms embargo might be to harm the Bosnian Moslems more than the Serbs. It might be particularly disastrous for the Moslem enclave of Srebrenica, which is surrounded by Serb forces in eastern Bosnia.

Mr Clinton, meanwhile, warned in his speech to the UN on Monday that the Bosnian capital of Sarajevo "once again faces the prospect of strangulation".

This is a term which can trigger air strikes under the existing policy of the North Atlantic Treaty Organisation.

Mr Clinton called for "a new resolve by the United Nations to enforce its resolutions", a call which administration officials said reflected frustration at the unwillingness of UN forces in Bosnia to respond to Serb aggression.

Rulings today on sex equality in pensions

Norma Cohen on what will be the definitive word from the European Court of Justice

The European Court of Justice takes the unprecedented step today of ruling simultaneously on six cases, each involving sex equality in pensions schemes.

The rulings are expected to provide the definitive word on how employers and scheme trustees are expected to provide equal pensions for men and women – an issue which has been before the court since the end of the 1980s.

In May 1990 it ruled that because pension benefits are in effect a form of deferred pay, the European employers' tradition of offering more generous pension terms to women violated sex equality laws.

But having made its ruling, the court found it was flooded with cases asking how the ruling is to be applied.

Last October, it settled what was probably the most contentious of those questions before it, ruling that no employer could retrospectively be required to provide equal pensions for men and women for periods of employment before May 1990.

But numerous issues remain outstanding and they are not simply academic. Billions of pounds of expenditure by employers or billions of pounds of benefits to scheme members throughout Europe hang in the balance.

One of the cases, Vroege v N.C.V Institut, WHO THEY asks the court whether employers who do not allow part-timers, mostly women, to obtain pension benefits are discriminating on the basis of sex. If so, actuaries at UK-based consultants R Watson calculate that part-timers could claim retrospective benefits as far back as 1976, which would cost UK employers alone some £10bn.

Employers in other European states, notably the Netherlands, Ireland, Germany and Belgium could face similar bills. Particularly hard hit will be employers who did not require their employees to contribute any portion of their pay to the pension scheme. While women in contributory schemes may be deterred from claiming retrospective benefits if they have to make retrospective contributions, women in non-contributory schemes are unlikely to have such inhibitions.

However, other pension experts note that the court has taken a tough stand on retrospective rights and consistently agreed that employers did not need to provide them before May 1990.

Moreover, the court is expected to confirm an opinion last year of its Advocate General that although employers may equalise pension benefits by worsening conditions for women, they will have to improve what they offer men for employment service between May 1990 and whatever date the scheme instituted equal pension rights.

The outcome of the ruling could have significant implications for the European insurance industry which sells annuities to those on the brink of retirement.

The lead case before the court is that of Coloroll, a UK home furnishings and fabrics company which became insolvent in 1989, leaving independent trustees in charge of maintaining numerous employee pension schemes.

Among the questions the court must resolve is whether it is the trustees of the scheme or the employer itself which has the obligation to equalise benefits. For an insolvent employer such as Coloroll, improving benefits for men means penalising female members of a scheme.

The question is particularly thorny for UK, Irish and Dutch pension schemes. In the UK, hundreds of employers had become insolvent in the recession of the early 1990s and their pension schemes have been unable to be wound up until this issue is resolved.

Another issue arising from the Coloroll case is whether so-called defined contribution schemes – those in which final pension benefits are based on the investment returns of contributions – require employers to make equal contributions for men and women. Because women typically live longer than men, a woman will need a larger lump sum to purchase an annuity from an insurance company which will provide income until she dies.

For the UK, the judgment will allow hundreds of pension schemes of insolvent employers such as Coloroll to be formally wound up. Legal and General, the UK life insurer, estimates that these schemes hold assets of £800m to £900m which are likely to be invested in so-called deferred annuities to pay pensions for thousands of workers.

Other questions before the court are whether employers can "red circle" existing female scheme members to protect their benefits, whether married women can be barred from participating in occupational pension schemes and whether the occupational scheme for Dutch civil servants is a social security scheme.

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Longuet hints he may quit Paris government

By David Buchan in Paris

Mr Gérard Longuet yesterday indicated he would resign as French trade and industry minister, if an investigation over the next month into the funding of his holiday villa and of his Republican party resulted in formal charges against him.

The embattled minister had previously said he would not resign, even if charged. But he changed his mind after the justice minister decided to ask the Paris prosecutor's office to widen its "preliminary investigation" to the minister's villa.

Mr Pierre Méhaignerie, the justice minister, said he expected the "preliminary investigation" to be complete by the end of October, and promised to make its conclusions public. Mr Méhaignerie said he was widening the scope of the existing low-level inquiry – rather than immediately putting on the case an independent magistrate empowered to bring charges – "out of a concern to comprehend, globally and in all serenity, a complex dossier".

Mr Longuet has denied the allegation that he let a contractor from his home region of Lorraine substantially subsidise the building of his St Tropez villa. But he said yesterday that, once assured of "an in-depth, balanced and confidential" examination of the matter, "I naturally accept the laws of my country and the rule which the government has set itself."

Prime Minister Edouard Balladur has said that ministers should resign if charged.

The Paris prosecutor's office is already inquiring into whether Mr Longuet personally received money in 1989-90 from companies which were also substantial donors to his Republican party (of which Mr Longuet had also been the treasurer), and into the extent to which he earned this money by providing genuine consultancy services.

A tougher law in 1990 on political party financing was accompanied by an amnesty for everyone committing illegalities before that date, except members of parliament.

Rome tax inspectors in corruption inquiry

By Robert Graham in Rome

Rome magistrates are investigating for alleged abuse of office the entire eight-man directorate at the Finance Ministry responsible for tax inspection and evasion.

The investigation relates to the tax treatment accorded the Ferruzzi-Montedison group during the transfer in 1989 of chemical assets to form Enimont, the joint venture with Eni, the state oil concern.

The senior ministry officials are alleged to have ignored potential tax liabilities totalling some L900bn (£367m) on the added value of Montedison's assets in the joint venture.

They are also alleged to have ignored a report from within the Finance Ministry objecting to such favourable treatment of the group, then run by Mr Raul Gardini. They have denied the allegations.

This is the most serious investigation affecting any single group of officials throughout the past 2½ years of corruption scandals. This special directorate at the Finance Ministry, known as Secit, is headed by Mr Luigi Mazzillo, who has held the post since February 1990.

It includes the directors-general of personnel and of information technology at the Finance Ministry, as well as three magistrates, one of whom is seconded from the court of public accounts.

The move by Rome magistrates comes at a time when Mr Giulio Tremonti, the finance minister, has promised to fight tax evasion. It is unrelated to another investigation by Milan magistrates into bribes paid to officials of the Guardia di Finanza, the financial police, to make favourable tax assessments of businesses.

Already most of the top politicians and business figures involved in setting up Enimont, and then the 1990 purchase of Montedison's 40 per cent stake by Eni for an inflated price, have been charged with corruption. Bribes paid out have totalled more than L150bn and a seond trial of those involved began this month.

Travellers face extra checks

By Stewart Dalby

Germany and France have become the first European countries to introduce extra health checks on travellers from India, where an outbreak of pneumonic plague has killed at least 43 people.

Other European countries, including Britain and the Netherlands, said they saw no reason to introduce tighter controls yet.

In London, the Immigration Department at the Home Office said: "The Department of Health has decided that current procedures at Heathrow Airport are adequate and no extra checks are necessary for the moment."

However, a close watch is being kept and new measures could be taken at any time.

The decision by Germany and France follows new measures by Hong Kong, Pakistan, Sri Lanka, Thailand, some Gulf states and South Korea.

Many Asian countries have sizeable populations of Indian expatriate workers.

A Frankfurt airport spokesman said last night that doctors had boarded early morning flights from India and checked passengers for symptoms of fever. All other flights from India would be monitored.

France began conducting special medical examinations at the main Paris airports over the weekend. The French health ministry said disinfectant measures on flights from plague-affected areas had been stepped up.

The six Gulf states – UAE, Saudi Arabia, Oman, Kuwait, Bahrain and Qatar, where hundreds of thousands of Indians work – decided yesterday to screen all passengers arriving from India.

Slums and fear fuel plague

Stefan Wagstyl on India's public health service concerns

The flight of 100 plague-stricken patients from hospital in the city of Surat is a disturbing comment on public confidence in the Indian health service.

After the patients ran away at the weekend because they felt they would be better off with their families, the authorities surrounded the hospital with paramilitary troops to prevent more escapes.

The outbreak of pneumonic plague, which has claimed at least 43 lives since it broke out in Surat last week, has highlighted strengths and weaknesses in the Indian health service.

On the one hand, the authorities seemed by yesterday to have brought the disease under control with no deaths reported since Monday. The rapid distribution of a simple remedy – the antibiotic tetracycline – has ensured that few victims have died once under medical care.

On the other hand, the sick in Surat ran away from hospital. Moreover, between 300,000-500,000 residents, some of them doctors and nurses, fled the city altogether rather than trust the health authorities to protect them.

Ignorance about plague is at the root of these fears. The last serious outbreaks of plague in India 30 years ago are within living memory of many Indians. They remember only the speed with which it strikes down victims, not the effectiveness of tetracycline which was not then as freely available as it is today.

Dr K. K. Aggarwal, president of the Indian Medical Association, says: "There is absolutely no reason to panic. But people do panic because they are afraid they cannot get medicine and because they consult fellow laymen and quacks. Even some doctors do not know how to treat plague because it is so rare."

Delhi hospital doctors take a blood sample from a suspected plague virus carrier from Surat Reuter

But many doctors believe that inadequate public health services, which are responsible for monitoring community health and preventive medicine, contribute to popular ignorance and fear. Dr D. Banerji, professor emeritus at the centre of social health and community medicine at Jawaharlal Nehru University, says it took the health authorities too long to respond to the Surat outbreak, so allowing panic to spread. "The government was not alert enough."

Dr L. M. Nath, dean of the All India Institute of Medical Sciences and head of its public health department, believes that the authorities should not be criticised for their handling of the Surat outbreak. Their actions were prompt, he says.

But he believes that India has under-invested in public health and points out that the country has only one college of public health compared with 146 medical colleges. He hopes the Surat outbreak will prompt a review. "Perhaps this cloud will have a silver lining."

But shortages of money will limit the scope for improvements in public health. There is a severe squeeze on public finances, particularly of India's states, which control healthcare. The proportion of gross domestic product spent by the states on social services, including health, has fallen from 5.3 per cent in 1990-91 to 4.8 per cent in the year to March 1994, according to the World Bank.

These concerns need to be put in context. While India's population has risen 146 per cent since 1951, the number of doctors has soared 550 per cent and the number of hospitals 300 per cent. Life expectancy at birth has almost doubled from 32 years to 60.3 years. Smallpox has been eradicated and leprosy and other killer diseases greatly reduced.

But the economic and social development which has made these gains possible has created ever-higher expectations of improvements in healthcare. It has also magnified problems, notably the spread of slums in large cities, including Bombay, Calcutta and Delhi. Because slums are often developed illegally by squatting on empty land, the authorities are unable to provide sanitation or other civil services, even where they could afford to.

Dr K. K. Dutta, the director of the government's National Institute of Communicable Diseases says: "It's no secret that that the low levels of health in slums are a threat to the overall gain India has made in health standards."

Since the population of the slums is still growing and is forecast to grow further as the economy develops, the dangers to health will also multiply. Dr Nath says there is no answer except to increase spending not just on public health but also on services such as water and sanitation. But the cost will be enormous. "In India spending even one rupee a head is a a lot of rupees."

N Korea threatens to quit N-talks

By Frances Williams in Geneva

Crucial talks between the US and North Korea on Pyongyang's suspect nuclear programme appeared to have run into trouble yesterday as the US reported "no progress" and North Korea stepped up threats to pull out of the talks.

The two delegations met yesterday after consulting their respective capitals on terms of a settlement which would give North Korea safer nuclear technology in return for a freeze on its existing plutonium-generating reactors and a pledge to open nuclear sites to international inspection.

However, a US statement after the talks said there had been no progress. Mr Robert Gallucci, US chief negotiator, and Mr Kang Sok-ju, his North Korean opposite number, will meet again today.

Earlier, Pyongyang repeated its threat to break off negotiations in response to the deployment of US warships in the Sea of Japan. The move was unhelpfully described last week by the commander of the US Pacific Fleet as a means of putting pressure on North Korea at the Geneva talks.

"Now that the United States is seeking a military showdown, we cannot stick to talks indefinitely," a spokesman for the People's Armed Forces ministry said yesterday.

Although the two sides may be talking down the negotiations to gain bargaining advantage, it is hard to discern any tangible signs of progress on issues Washington says are vital to fleshing out the outline accord reached last month.

Yesterday's statement from Pyongyang said North Korea would "never" allow special inspections of military sites. The US has insisted all along that at some point Pyongyang will have to open to international inspection two nuclear waste dumps which could provide clues on whether North Korea diverted plutonium for atomic weapons.

North Korea has also argued with US proposals for organising and financing the provision of two light-water nuclear reactors, costing some $4bn, demanded extra cash as compensation for abandoning its graphite-moderated reactor programme, and refused a US offer to help ship to a third country 8,000 spent fuel rods.

Keating party backs sale of 22 airports

By Nikki Tait in Hobart

The Australian government will go ahead with the sale of 22 airports owned by the Federal Airports Corporation after the ruling Labor Party backed a compromise sell-off proposal at its party conference in Hobart yesterday.

But the government has been forced to make concessions over the shape of the sale and place significant constraints on bidders, to secure support from left-wing factions.

These could affect the proceeds received from the sell-off. Estimated sale revenue had previously been put at about A$2bn (£938m).

The deal approved by the ALP conference requires that the airports are sold on leases of 50 years, rather than as freehold.

A controlling interest must remain in Australian hands. Airlines, or their associated interests, will be unable to acquire more than a 5 per cent equity interest.

Measures will also be taken to prevent ownership concentration in the key east coast area.

"Bundling" of airports for sale, especially across state lines, will be minimised and, where possible, the airports will be sold individually.

Existing "award" employment conditions for FAC staff must also be maintained.

Finally, control of airport pricing and supervision to ensure competition between the properties will rest with the Prices Surveillance Authority and the Trade Practices Commission respectively.

The ALP's hope is that local institutional investors will step forward as bidders, although the motion passed by the conference yesterday stated that state and local government bodies would also be encouraged to become involved.

To date, however, the most heavily-publicised interest in the airports has come from international operators, such as the British Airports Authority.

The federal government will also refinance some of the smaller regional airports, which are at present loss-making, to make them more attractive sale candidates.

● Earlier in the day, the ALP conference passed a new "privatisation" platform which, while moderating the party's stance on public ownership of key assets in some respects, specifically ruled out the sale of either Telstra, the large telecommunications group, or the Australia Post.

Inkatha intends to sue Mandela over killings

By Mark Suzman in Johannesburg

South Africa's Inkatha Freedom Party said yesterday it intends to sue President Nelson Mandela, his African National Congress party and the South African police for R8m (£2.2m) damages, following the killing of eight IFP supporters outside the ANC headquarters in Johannesburg last March.

Announcing the lawsuits, Mr Themba Khoza, IFP political director, said summonses had been served on Mr Mandela and Mr Cyril Ramaphosa, ANC secretary-general, for allegedly obstructing a police investigation into the incident.

Summonses had also been served on Mr Sydney Mufamadi, safety and security minister, and General Koos Calitz, regional commissioner of police, for alleged inadequate protection of the marchers.

The decision marks a new deterioration in relations between the ANC and Inkatha, partners with the National Party in the ruling National Unity government.

Before the April election, ANC and Inkatha supporters were frequently involved in clashes; in recent months they have been embroiled in disputes within the KwaZulu/Natal provincial government.

Inkatha has for several months been demanding a full investigation into the killings, which occurred when a crowd of its supporters were apparently fired on by ANC security guards during a political demonstration.

The timing of the announcement seems designed to deflect attention from the controversy surrounding Chief Mangosuthu Buthelezi, Inkatha party leader and home affairs minister.

On Sunday night, the chief and a group of bodyguards interrupted a live broadcast by Prince Sifiso Zulu, a political rival instrumental in persuading the Zulu King Goodwill Zwelithini to break off relations with Chief Buthelezi last week.

Chief Buthelezi has since apologised for the incident, saying he was not aware the television programme was still on the air, but his actions have been widely condemned, and Prince Sifiso Zulu has said he will press charges against the chief.

The ANC has released a statement critical of Chief Buthelezi. President Mandela will not make a statement until he has discussed the issue with the cabinet today.

African trade union rights abuse 'acute'

By Robert Taylor, Labour Correspondent

Trade union rights violations in Africa remain "widespread and acute", according to a report produced by the *International Confederation of Free* Trade Unions. The document is to be discussed at the Pan-African conference on organised labour, opening today in Cotonou, Benin.

Structural adjustment policies imposed by bodies such as the World Bank and the IMF as well as January's devaluation of the CFA franc in the former French colonies in Africa are blamed for creating economic conditions where the *exercise of trade union rights* has become a "virtual impossibility".

"The most widespread problem is in situations in which pressures to reduce public expenditure have brought unilateral reductions in the collectively agreed wages of public employees or quite simply have led to the non-payment of wages for periods of several months," says the report.

It points to pay cuts and detention of union leaders in Cameroon, Niger, Gabon, Benin and Chad.

Both in Zimbabwe and Malawi, trade unions have been bypassed by creation of parallel workplace bodies subject to employer or government control. However,only Sudan, Libya and Equatorial Guinea among African states actually outlaw independent trade union activity.

The report suggests trade unions have to operate "frequently in the context of serious denials of basic civil liberties". In Lesotho, it argues there has been "extreme and arbitrary brutality" against trade unions, while in Morocco, union leaders have been jailed for exercising their right to free expression.

The survey says as many as 16 African countries make it "almost impossible" for unions to use legal strikes as an effective means of advancing employees' interests.

The Challenge of Trade Union Rights in Africa from ICFTU, Bd Emile Jacqmain, 155B-1210 Brussels, Belgium. Fax 32-2-21884.15

Iraq prices increase after food rations are cut

A rush on staple foods is pushing up prices in Baghdad as Iraqis scramble to cope with a government decision to cut rations by as much as half, Reuter reports from Baghdad.

The government decided on Sunday to reduce food rations, blaming a poor harvest and continuing UN trade sanctions, imposed to punish Iraq's 1990 invasion of Kuwait.

Meagre as they were, the rations staved off starvation and made available around half a person's basic needs at giveaway prices .

"It is very worrying, particularly for children in poor families," said Mr Thomas Ekval, United Nations Children's Fund (UNICEF) representative in Iraq.

He feared an increase in malnutrition.

Each Iraqi will now receive every month 6 kg (13 lb) of flour instead of nine, 1.25 kg (3.7 lb) of rice instead of 2.5 kg, 750 grammes (1.6 lbs) of sugar instead of 1.5 kgs, and 625 grammes (22 ounces) of cooking oil instead of 750.

The UN hands out its own food rations to about half a million Iraqis it terms "destitute persons" and almost twice that number in northern Iraq, now under Kurdish rebel control.

Mr Ekval said the cut-back would reduce each person's daily intake of calories and protein by as much as half.

Civil servants and members of the armed forces will receive 2,000 dinars a month each to meet the shortfall. But the decision had an immediate impact on prices which reached unprecedented levels yesterday.

Prices almost doubled, making it impossible for salaried people to make up for the cut in their rations.

The official exchange rate is about 500 dinars to the dollar and the illegal black market rate is between 600 to 700.

Flour almost doubled to nearly 200 dinars a kg (100 dinars a pound), sugar from 230 dinars a kg to about 500.

Prices of items left out of the new rationing system, such as razor blades, matches, shaving cream, salt and toothpaste, also doubled.

The government said the measure was to "organise economic conditions" and urged Iraqis to remain "steadfast" and be patient.

But it seems the decision, the harshest since sanctions came into force more than four years ago, was taken when it became clear that the embargo would not be eased or lifted soon as earlier thought.

The official press lambasted the US, which it said was behind efforts to maintain the stiff regime of sanctions intact, despite Baghdad's co-operation with the UN on dismantling its big weapons.

Leading indicators point to expansion

Japan's index of leading economic indicators stood at 60.0 in July, the seventh straight month it was above the so-called "boom-or-bust" threshold of 50.0, the Economic Planning Agency (EPA) announced yesterday, AP-DJ reports from Tokyo

The EPA considers a reading above 50 as auguring economic expansion over the short term but a level below 50 as heralding contraction.

The June leading index was revised by the agency from the preliminary 54.5 and May revised from the preliminary 58.3.

An agency official briefing reporters on the data said there was no change in the agency's assessment that "there is an increasing chance that the economy is entering a new phase".

He also suggested that the coincident indicator, a key component in the index measuring the present state of the economy, stands a strong chance of exceeding 50 in August, as the forecast by the Ministry of International Trade and Industry for a 1.6 per cent jump in industrial output would push that component of the index from negative to positive territory.

Among components of the leading index, the counter-cyclical final demand-to-inventories index changed from negative to positive in July, the only part of the index that shifted direction from a month earlier.

Japan lays its cards on UN table

William Dawkins on the new approach that may win friends

Japan, until yesterday a timid aspirant to the top table of world powers, has at last brought its international diplomatic ambitions into the open.

Foreign minister Yohei Kono's address to the United Nations, unprecedented in its directness, leaves no doubt that Japan, like Germany, believes the Security Council needs enlarging to reflect the growing importance of pacifist, non-nuclear powers in a post-cold war world.

If Japan's hitherto tentative bid to become a permanent member of the council comes off, it promises to offer a different model of leadership to the present six members.

Japan's dovish new government sees itself as no international policeman, but rather the champion of a global welfare state, in which rich countries concentrate on refugee relief, overpopulation, arms control, the environment and fighting Aids.

This contrasts with the more assertive international presence favoured by Mr Ichiro Ozawa, the political opposition's main strategic thinker. Mr Ozawa believes Japan's pacifist constitution should be changed to enable it to take part in UN military peacekeeping activities like a "normal country".

The government and foreign ministry lean towards interpreting the existing constitution flexibly, to make the maximum non-military contribution to the UN's growing activities. Either way – the government's gentle line or Mr Ozawa's assertive one – both lead Japan to assume international duties more commensurate with its economic weight.

Japan's new straightforwardness is partly a consequence of the growing chorus of international support for its desire to join the UN club. They include, over the past month, a visit from Mr Boutros Boutros Ghali, the UN secretary-general, who helpfully underlined that he saw no problem in Japan assuming non-military permanent membership of the Security Council; and visits from senior ministers from 40 countries including the US, Britain, Australia, the Philippines and Malaysia.

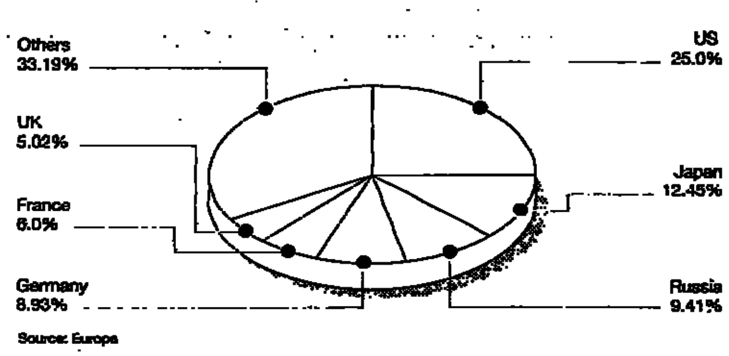
Mr Kono's speech is a success for the foreign ministry, which has been waging a patient behind-the-scenes campaign for UN membership since the end of the cold war and through three changes of Japanese government over the past year.

As a symbol of its resolve, the ministry appointed its most senior diplomat, Mr Hisashi Owada, an avid advocate of membership, as its UN ambassador early this year.

The arrival of the current government at the end of June, under a socialist prime minister, at first looked like a setback for the ministry's UN ambitions. But the Social Democratic party's subsequent abandonment of its traditional rigid anti-UN pacifism meant that for the first time in post-war history the full political spectrum supported membership.

The ministry's main argument is that Japan deserves more influence in international affairs, as the world's largest aid donor, with a budget of Y1,063bn (£6.8bn) this year, and the UN's second largest contributor, paying just over 12 per cent of its budget.

UN budget contributions 1994



Source: Europa

Moreover, Japan increasingly has something – even if it is delicately shaded – to say, contrary to its reputation for having no foreign policy, argue officials. It was Japanese influence, for example, that ensured that the Khmer Rouge was involved in Cambodian peace talks in 1991, they maintain.

Today, Japan has clear feelings on the importance of exerting more gradual pressure on North Korea, over its nuclear ambitions, than does the US. As a non-permanent member, it has to rely on other means to influence UN policy on this potentially explosive problem on its doorstep.

Stung by the criticism it attracted for making a merely financial contribution to the 1991 gulf war, Japan has since stepped up its human contribution to helping the world's trouble spots.

Two prominent Japanese, Mrs Sadako Ogata, UN high commissioner for refugees, and Mr Yasushi Akasahi, UN special envoy to former Yugoslavia, have played leading parts in Bosnia. Japanese troops have helped keep the peace in Mozambique and Cambodia, and recently embarked on a new mission, to help Rwandan refugees in Zaire, where a lightly armed Japanese contingent is now trying not to flinch at nearby gunfire.

All this, Tokyo hopes, will be sufficient to persuade the requisite two-thirds of the UN general assembly and all five permanent council members that Japan has the credentials to join the top table.

Taiwan beats Beijing over Asian Games

By Laura Tyson in Taipei

Taiwan yesterday won a marginal victory over Beijing in a fracas over whether a Taiwanese official would be permitted to attend the Asian Games, starting in Hiroshima on Sunday.

Beijing yesterday withdrew its threat to boycott the games, signalling an end to the two-month row. It had earlier warned of "grave consequences" if Tokyo were to grant Mr Hsu Li-teh, Taiwan's deputy premier, a visa to Japan.

The matter was apparently settled at a meeting between Japan's foreign minister, Mr Yohei Kono, and his Chinese counterpart, Mr Qian Qichen, in New York on Monday.

Japan was put into an awkward position in late July when the Olympic Council of Asia, organiser of the games, invited Taiwan's President Lee Teng-hui to attend the opening ceremonies, apparently by dint of Taiwanese lobbying efforts. Japan pressed the OCA into rescinding its invitation. Mr Hsu is to take his place.

Observers said that while Taiwan's strategy was effective in eliciting attention and sympathy among Japanese politicians and the general public, it could backfire. Japan would henceforth be ultra-conservative in dealing with Taiwan and other countries with substantial legislative and popular support for Taiwan.

"Hsu Li-teh will go to Japan, but his activities will be severely restricted to those relating to the Asian Games," said Mr Lu Ya-li, a politics professor at National Taiwan University. "Japanese bureaucrats do not appreciate having their hands forced by foreign governments."

Recently, Taipei appears to have embarked on a departure from its long-standing discreet approach to gaining international recognition, observers said.

The new posture, demonstrated in the Asian Games incident, has emanated from the presidential palace rather than the foreign ministry, and appears to be driven almost exclusively by domestic politics, they added. Fearing the rising strength of the pro-independence opposition, the ruling Kuomintang is desperate for a foreign relations breakthrough ahead of key elections in early December.

Debt plan set for controversy

By Philip Coggan in Valletta, Malta

Commonwealth finance ministers are likely to welcome the UK's initiative on debt relief when they issue a communiqué at the end of their meeting in Malta today.

Britain's Chancellor of the Exchequer, Mr Kenneth Clarke, has proposed that the debt burden of poor countries be relieved by extending the Trinidad terms, which cover bilateral debt, to debt owed to supra-national financial institutions such as the International Monetary Fund.

The debt relief programme would be financed by sales of up to 10 per cent of the IMF's $40bn of gold reserves.

The proceeds would be reinvested in income-producing assets, and only the revenue earned from those assets used to finance the scheme. The overall value of the IMF's reserves would not be altered.

While the support of the Commonwealth countries will be welcomed by the British government, it is likely to face serious opposition from countries represented at the IMF meeting in Madrid next week.

Some nations will be cautious about the gold sales, since this will be perceived as weakening the creditworthiness of the IMF.

Mr Chris Liebenberg, finance minister of South Africa, which is an important gold producer, said yesterday that a gold sale might also have inflationary consequences. However, Mr Liebenberg said he was in principle not against the proposal which needed more investigation.

In his speech to the Malta meeting, Mr Clarke said: "For some of the poorest countries even full Trinidad terms tomorrow would not allow them to escape from an unsustainable debt burden."

"The IMF has played a key role in helping developing countries in both its lending and policy advice. But it must be on terms which countries can afford."

Mr Clarke's proposals would concentrate on poor, heavily indebted countries "which have displayed a credible and durable commitment to economic reform," the chancellor added.

Mr Clarke proposes that the IMF's enhanced structural adjustment facility (ESAF) should be extended and lending made on easier terms, by lengthening the period over which the debt has to be repaid.

Morocco in more state sell-offs

Morocco will sell its stakes in five enterprises with a total turnover of Dirhams 3.85bn ($438.4m) this year, the Privatisation Ministry said yesterday, Reuter reports from Rabat.

The state has 35-99 per cent of the five groups: Banque Marocaine du Commerce Extérieur (BMCE), the Simef diesel and electric motor maker, the Sonasid steel mill, the Somas oil company and the Sochepresse publication distributor.

"We expect to put on the market our stakes in these units before the end of the year," the ministry said.

Privatisation Minister Abderrahman Saaidi stated on Monday that the five units "will be ceded as soon as the Société Nationale d'Investissement, the state investment agency, is privatised."

The government calls for bids today for its 67 per cent stake in SNI, of which 16 per cent will be placed on the Casablanca bourse before the end of October.

Since January, 12 state-owned enterprises have been sold off, officials said. "Earnings from privatisation are estimated at Dirhams 900m in the first nine months of 1994," the minister added.

BMCE and Sonasid have turnovers of Dirhams 1.969bn and Dirhams 1.603bn respectively and will be sold off quickly, Casablanca brokers said.

When presenting the budget earlier this year, the Finance Ministry said the current privatisation programme would bring the state treasury an estimated Dirhams 3.5bn in 1994.

"We are on the right track. I am optimistic. We hope to reach the target by the end of the year because our plan is to privatise up to 40 enterprises before January 1994," Mr Saaidi declared.

● The Kuwait-based Arab Fund for Economic and Social Development has made a $72.5m-equivalent loan to Morocco towards financing electricity and irrigation projects under accords signed in Rabat on Monday.

A first loan will finance 23 per cent of the cost of connecting the Spanish and Moroccan electricity grids. A second will cover 36 per cent of the cost of completing an irrigation network on the north bank of the Loukkos River in north Morocco.

Both loans are for 17 years with five-year grace periods and carry 4.5 per cent interest, officials said.

Since 1975, the fund has contributed finance to 26 projects in Morocco for the equivalent of $966m.

First US soldier dies in Haiti

By James Harding in Port-au-Prince

Senior US army officials were yesterday investigating the death of a US soldier, who was found with gunshot wounds in a northern suburb of Port-au-Prince. The serviceman was thought to be clearing out a guest house for exiled parliamentarians returning for today's convening of the National Assembly.

The first death among American troops came as the US army took a visible initiative to restore democracy in Haiti yesterday by deploying troops and armoured vehicles to secure the parliament buildings before the assembly convened by President Jean-Bertrand Aristide votes on an amnesty law.

Under the agreement between the US and the Haitian military the generals who usurped power from Mr Aristide will step down on October 15th or when the amnesty law is passed, whichever comes first.

Swift passage of the legislation could bring an end to the rule of Gen Raoul Cédras, Haiti's military leader. The amnesty is seen as a critical precondition for the reconciliation of Aristide supporters and those still loyal to the military regime.The US was yesterday due to fly back the 10 members of the Chamber of Deputies and the two senators in exile.

A US soldier and Haitians caught in the draught of a helicopter taking off Reuter

The market upsets US plan, writes **James Harding**

Haiti gun scheme backfires

The US military opened for business in Port-au-Prince yesterday with a programme to buy back weapons from civilians. This appeared to be founded more on wishful thinking than respect for market forces.

Haitians are being asked to hand in their guns as part of the US effort to secure a stable environment for the retirement of the existing military leadership and the restoration of elected President Jean-Bertrand Aristide. Goodwill may be as much of a factor as the profit incentive.

The price for handguns is US$50, for semi-automatic rifles $100, for automatic rifles $200 and for machine guns, mortars and artillery $300.

On the black market, however, firearms can fetch more than five times the amounts offered by the US army. A .45 revolver, for example, could expect to find a buyer willing to pay as much as US$500.

A further disincentive is that although the US is quoting prices in US dollars, it intends to pay out in Haitian currency at the official exchange rate. Considering one can get 18 gourdes for a dollar on the streets as opposed to 12.5 at official exchange outlets, guns for gourdes is a far less attractive proposition than handing in weapons for hard currency.

At the Bowen Military Airfield in downtown Port-au-Prince, where the first buyback facility was opened yesterday, officers acknowledged business had been "very, very slow".

A high-walled truck had been parked on the disused runway to act as a receptacle for the hand-ins. Lost at the far end of the truck was a sorry collection of an old M1 carbine rifle, a Saturday Night Special .32 calibre pistol, and two .38 revolvers. The infantryman on guard described their operational quality as "shoddy at best".

The Haitian offering looked all the more paltry beside the guided missiles, hand grenades, 20mm cartridges, detonators, M855 magazines and 84mm Five Launchers piled on palettes on the tarmac.

But US officers were putting on a brave face: "The first day is going to be a bit bumpy," said one "but when the news gets out and about people will start rolling in here." And if they don't, the US was promising to be flexible on price.

Resurgent Republicans eye the polls

By Jurek Martin in Washington

Congressman Newt Gingrich of Georgia yesterday paraded over 300 Republican candidates for Congress on the steps of the Capitol to sign the party's "contract with America."

The publicity stunt, though in the works for several weeks, stood in sharp contrast with the sense of depression settling on the Democratic Party in the wake of the death sentence on healthcare reform legislation pronounced by Senator George Mitchell, the majority leader, on Monday afternoon.

Mr Gingrich, currently the Republican whip in the House, is virtually certain to succeed Mr Bob Michel, who is retiring, as minority leader after the November 8 elections. Were the Republicans, as he harbours hopes, to win control of the House he would stand in line to become Speaker.

His "contract," designed to galvanise the party in the upcoming campaign by offering clear policy alternatives, commits the party to bring to the floor of Congress within 100 days of the start of the next session in January a fistful of measures long on the Republican wishlist but never enacted by Congress.

They include a constitutional amendment to balance the federal budget, the line item veto empowering a president to eliminate any specific item of spending of which he disapproves, lower taxes, term limits for members of congress, and more spending on defence. It will be accompanied by a large advertising campaign.

The Democratic response has been sharp in advance. Congressman Vic Fazio of California dismissed it as "a blood oath for the rich." Mr David Wilhelm, national committee chairman, called it "voodoo part two, the son of Reagonomics."

The White House has also questioned the contract's economics. Mr Leon Panetta, the chief of staff, called it "a fraud" that would require $1,000bn in budget cuts. Ms Alice Rivlin, director of the budget office, could not see how the budget could be balanced under the contract.

But Mr Panetta did not rule out middle class income tax cuts next year. He said that while continuing to reduce the budget deficit was an overriding concern there might be room for some reductions in taxes.

Mr Gingrich's counter was delivered in a weekend TV interview. "What the White House is telling the American people is that they have no intention of getting a balanced budget. What we're saying is that over the next eight years we're prepared to change the federal government as much as necessary to get a balanced budget."

SEC seeks boost in powers

The US Securities and Exchange Commission (SEC) is calling for legislation that substantially increases the watchdog agency's power to oversee mutual fund activities. In a report to be presented to Congress today the SEC requests improved access to information "to monitor adequately mutual fund investments, including investments in derivatives". It is recommended that funds use a "quantitative risk measure" of derivatives in fund filings and that the SEC re-examine leverage restrictions put on funds by mutual fund oversight laws. The agency also requests that mutual funds keep additional records to "enable the inspection staff, among other things, to analyse a fund's derivatives instruments." The agency asks that it be given power to require funds file information with the agency electronically and on a more fequent basis. Along with additional legislative powers, the SEC said it needs more money and more staff. The SEC report was requested by Rep Edward Markey, chairman of the House Telecommunications and Finance Subcommittee. *AP, New York*

Quebec cabinet appointed

Mr Jacques Parizeau made another strong pitch for a separate Quebec, after being sworn in as the province's 26th premier. The separatist Parti Quebecois won the September 12 election with 77 National Assembly seats, against 47 for the federalist Quebec Liberals. But the vote was almost evenly split. Mr Parizeau, 64, said he will now prepare for a referendum on sovereignty by the end of 1995 as he announced his 19-member cabinet in Quebec city. He clearly hoped to allay some of the PQ's disappointment with the election result. Mr Parizeau appointed an old friend, Mr Jean Campeau, 63, a former president of the Caisse de Depot, the public pension plan manager, as finance minister, and Mr Bernard Landry, 57, a key minister in the 1976-84 PQ government, as deputy premier and minister for international affairs. Mr Paul Begin, PQ vice president and a strong independentist, was named as justice minister, Mrs Louise Beaudoin as inter-governmental affairs minister and Mr Daniel Paille, a former vice president of the Quebecor international publishing and printing empire, as minister of industry and commerce. *Robert Gibbens, Montreal*

Venezuelan economy contracts

Venezuela's GDP contracted by 2.7 per cent during the first half of 1994, compared to the same period last year, according to preliminary figures released by the Central Bank of Venezuela. Venezuela's GDP registered negative growth of 1 per cent in 1993, and the government is projecting a 3.3 per cent contraction for 1994. The consumer price index for the Caracas metropolitan area rose by 29.4 per cent for the six-month period, compared with full-year 1993 inflation of 46 per cent. The government estimates that inflation will reach 65 per cent this year, but it may top 80 per cent. The bank also reported that international monetary reserves stood at $8.86bn at the end of June 1994, down from $12.7bn at the close of 1993, and an overall balance of payments deficit of around $2.7bn for the first half of 1994. *Joseph Mann, Caracas*

Cardoso still well ahead

The campaign of Mr Luiz Inácio Lula da Silva, the left winger trailing in Brazil's presidential election race, received a lift yesterday when an opinion poll suggested his support has grown 3 percentage points in the last week. However, opinion polls still suggest that the front runner and former finance minister Mr Fernando Henrique Cardoso has enough of a lead to win the election in the first round next Monday. *Angus Foster, São Paulo*

US consumer confidence falls for third month

By George Graham in Washington

US consumer confidence fell this month for the third month in a row, but the drop has been slight, and consumers remain optimistic enough about the future to keep the economy growing at a steady pace.

The Conference Board, a New York-based business group whose monthly survey is one of the most widely watched gauges of consumer sentiment in the US, said its confidence index fell to 88.4 in September from 90.4 in August, but has still only dropped a little over 4 points from its peak in June.

"Most of the decrease is caused by lower consumer expectations for the immediate months ahead. Still, the current level of consumer confidence has been associated, in the almost 30 year history of this survey, with a reasonably lively economy," said Mr Fabian Linden, who heads the Conference Board's consumer research centre.

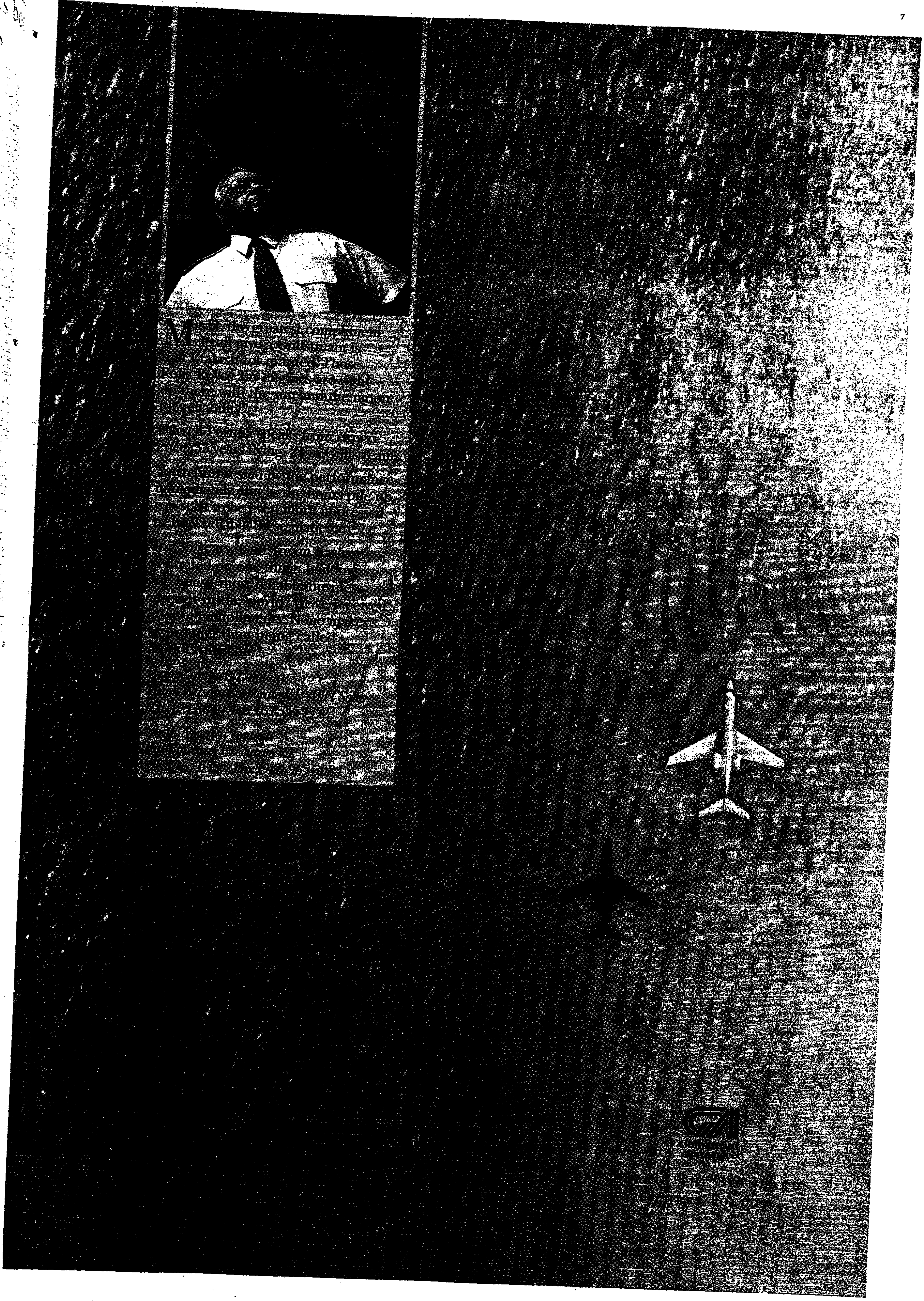
This signal of a slightly steadier pace of economic activity, whose largest determinant is the strength of consumer demand, came as the Federal Reserve's policy-setting open markets committee met to discuss whether its policy of raising interest rates had yet done enough to calm the economy and head off potential inflationary pressures.

According to the Conference Board, slightly more people said business conditions were bad in September, and more people said jobs are still hard to get than those who said jobs are plentiful.

Fewer respondents showed interest in buying a new car or a new home in the months ahead, but plans for appliance purchases remained about the same.

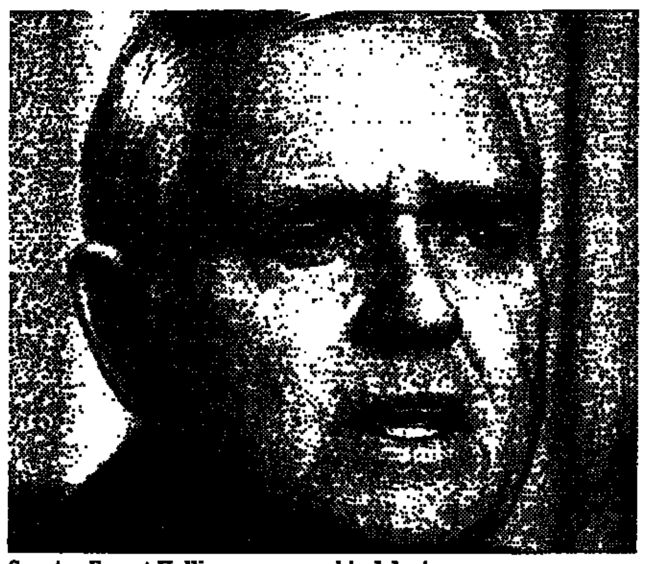
Although slightly more families said they expected conditions to improve in the near future, the number who feared the economy would worsen rose significantly.

On balance, the Conference Board said, optimists continue to outnumber pessimists, but on the outlook for jobs pessimists still outnumber optimists.



US fears delay of Uruguay Round law

By Nancy Dunne in Washington



Senator Ernest Hollings: may use his delaying powers

US trade officials yesterday maintained that the long awaited legislation to implement the Uruguay Round would be sent immediately to Capitol Hill. However, two obstacles continued to alarm business lobbyists: Republican partisanship and Senator Ernest Hollings, a South Carolina Democrat.

As chairman of the senate commerce committee, Senator Hollings has the power to hold the legislation up for 45 days of hearings which would make passage this year impossible.

The senator, who represents US textile producers, has already won big concessions in the legislation: strong anti-dumping language, which would make it more likely that high dumping duties be imposed on imports, as well as a change in the rules of origin, meant to stem the flow of textiles and apparel from large low-cost producers such as China.

Gatt opponents believe the senator will abide by his long-stated threat to hold the implementing legislation for hearings.

In addition, confusion surrounds the intentions of the Republicans, who traditionally support business intiatives. Having successfully killed off health insurance reform, they are now considering denying President Bill Clinton a trade victory.

Last week Republican leaders urged the Clinton administration to give up efforts to pass health care this year in order to clear the schedule for passage of the Gatt legislation. On Monday Senator George Mitchell, the majority leader, complied. Now Senator Robert Dole, leader of the Republican minority in the Senate, reportedly is urging the administration to delay submitting the legislation while Republican whips count votes.

The delay would give Republican strategists time to assess the fall-out for the November elections if the Republicans are perceived as obstructionist at any cost.

Business lobbyists have mounted a "massive" campaign, including phone calls from key chief executive officers to Republican senators. "They are being asked not to play politics with the Gatt," said one business lobbyist. "This is too important." There is a high degree of nervousness in the business community because once legislation is formally submitted to Congress for an up or down vote under so-called "fast track rules", a vote must be held within 90 legislative days.

This means that the administration would not get a second chance next year. The legislation could then have to move to Congress like other bills, where it would be subject to amendment and filibuster in the senate.

The administration has had to work in an environment of intense political warfare, which now has the Republicans threatening to destroy their own decade-long initiative because it was brought to a conclusion by Democrats.

Foreign investors are offered fewer perks

Eastern Europe varies widely on incentives

By Frances Williams in Geneva

Most of the countries of central and eastern Europe have ceased to grant automatic tax or subsidy incentives to foreign investors and are increasingly treating domestic and foreign investment on equal terms, a United Nations study shows.

In a comparison of foreign investment legislation*, the UN Economic Commission for Europe (ECE) says governments in the region continue to adopt a largely liberal approach to foreign investment, though a "surprising variety" of treatment exists.

Foreign investors in Hungary, Bulgaria, the Czech Republic and, with a few exceptions, Poland and Slovakia, do not have to seek special approval. In other countries they do. Tax rates also vary widely.

Despite these differences, the ECE notes a general trend towards even-handedness between foreign and domestic investment. Thus there are now no discriminatory tax or subsidy benefits for foreign investments in the Czech and Slovak republics, and "for all practical purposes" Belarus, Poland, Slovenia and Bulgaria (though selected investment projects may receive help).

Hungary, which has attracted far and away the largest amount of overseas investment in the region since 1989, ceased offering incentives to new foreign investors from the beginning of this year. Not surprisingly, those countries with the most difficulties in attracting foreign funds – Ukraine, Romania and most central Asian republics – are most likely to have generous incentives such as five-to-10-year tax holidays and reductions in profit tax.

Russia too, despite its recent success in pulling in overseas investment, which has been largely due to privatisation, announced in June a wide-ranging incentive package, including a five-year profit tax holiday and exemption of customs duties on imports of raw materials and components.

The ECE says the number of foreign investment registrations in Russia more than doubled last year to nearly 8,000 and in March totalled 8,300. However, this compares with 22,510 in Hungary (whose 10m population is one-fifteenth of Russia's) and 30,458 in Romania, though Romanian joint ventures are mostly very small.

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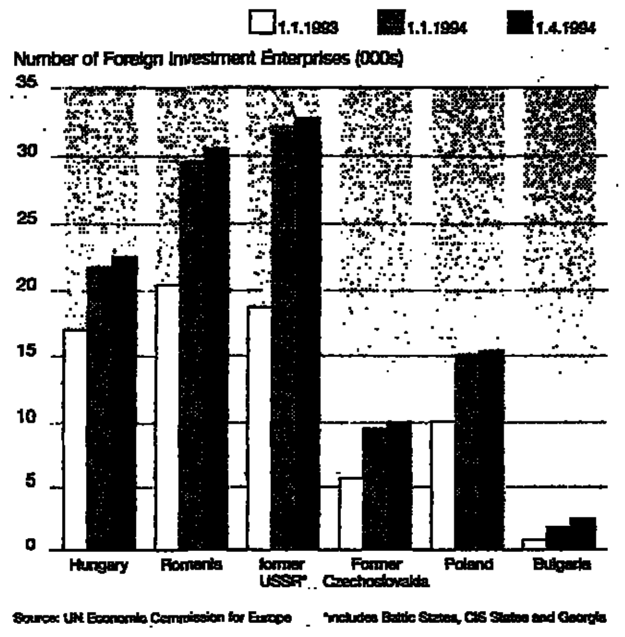
Growth of foreign investment in Eastern Europe



Source: UN Economic Commission for Europe *includes Baltic States, CIS States and Georgia

WORLD TRADE NEWS DIGEST

Japan and US in last-ditch talks

The US and Japan yesterday scheduled top-level trade talks in a drive to avert a sanctions showdown at the end of the week. President Bill Clinton has given Tokyo until Friday to open a handful of its markets or risk punitive strikes on everything from car parts to glass. Mr Ron Brown, the US commerce secretary, Mr Mickey Kantor, the US trade representative, and Mr Ryutaro Hashimoto, the Japanese trade minister, were last night holping their meeting would break the trade deadlock. *FT Foreign staff and Reuter*

Pakistan sets its sights high

Pakistan is next month expected to seek investments of up to $5bn for new transmission lines and oil storage facilities following this week's success in attracting investment in the country's energy sector. Despite the aggressive push, it is not entirely clear if the financing required for these proposed projects could be put together. Sponsors of new projects would be required to accept an 80:20 or 70:30 debt-equity ratio. Some investors hope that the Pakistani government will expedite its first $200m sovereign bond offer, on hold since the summer due to recent turbulence on international bond markets. Senior executives of private British power companies will visit Islamabad in November to discuss possible investment in Pakistan's energy sector. Junior UK foreign office minister Tony Baldry said he would lead a mission of British businessmen interested in joint ventures and partnerships with Pakistani counterparts. *Farhan Bokhari, Islamabad*

KLM seeks boost in India

KLM Royal Dutch Airlines yesterday said it had applied for approval to start flights to Madras and hopes to launch services from next spring as part of its attempt to open up a southern India gateway and expand services to existing destinations. At present KLM flies four times a week to Delhi, three times to Bombay and once to Calcutta. KLM needs extra capacity as load factors have been at 95 per cent for nine months of the year on Indian routes. In the cargo market, KLM is seeking to build up freighter flights from Dubai to Delhi, Bombay, Bangalore and Madras. *Reuter, New Delhi*

Royal biscuits passed around

Britain's Prince of Wales is launching his Duchy Originals biscuits on the export market. Boxes of the exclusive oat and gingered biscuits are now on sale in France, Germany and the US. The company is now targeting Canada, the Irish Republic, the United Arab Emirates, Bahrain and Oman.The box is made from recycled or recyclable packaging and profits are donated to charity. *Press Association, London*

CONTRACTS

■ Haden Incorporated, a US unit of London-based Haden Maclellan Holdings, has signed a letter of intent for a $96m four-year contract with Russian car manufacturer AZLK. Haden will design, build and supervise installation of a high-tech paint shop at AZLK's Moskvich plant in Moscow. The agreement is contingent on its obtaining financing and appropriate government approvals. *Reuter, Detroit*

■ Cable & Wireless has been shortlisted to participate in a proposed regional telecommunications scheme in Indonesia. The company said it was the main foreign partner in the consortium of 10 members led by Indonesia's PT Elektrindo Nusantara. Licences will be awarded to four or five joint ventures which will take over the operation of the existing domestic telephone system and expand the network in a specific region of the country, it said in a statement. *Reuter, London*

Nigeria selects consortium to build gas plant

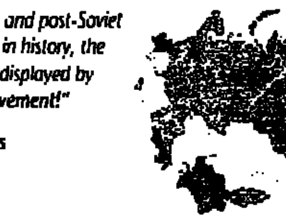
By Paul Adams in Lagos

The Nigeria Liquefied Natural Gas Company has selected a consortium led by Kellogg of the US as the preferred contractor for a turnkey contract to build a proposed natural gas liquefaction plant near Bonny in eastern Nigeria. The contract is due to be awarded in the first quarter of 1995, provided that NLNG has completed the financing for the project, estimated to cost $4.6bn.

The Kellogg consortium includes Technip of France, Snamprogetti of Italy, and the Japanese Gas Company (JGC). The rival consortium is led by Bechtel of the US. Kellogg and Bechtel, which have built most of the world's LNG plants, were both invited to re-bid using the Air Products liquefaction process after the Nigerian government overturned the decision by technical advisers Shell to award the contract to Kellogg using a process designed by Technip.

That was the last of several false starts for the controversial project since its conception more than 20 years ago. Last year the project was relaunched with Shell taking the lead and the Nigerian National Petroleum Corporation (NNPC) reducing its stake to 49 per cent. Shell, Elf Aquitaine and Agip hold another 49 per cent and the International Finance Corporation has agreed in principle to take the remaining 2 per cent.

The crucial issue now is financing. The second stage of funding for the Nigeria LNG company is in place after the Nigerian government and its foreign partners, Shell, Elf and Agip, recently increased the total shareholders' capital in two escrow accounts to about $1bn, a large part of the equity which it expects to need for the project. About 40 per cent will be equity and the rest loans. Schroders merchant bank is helping the company to raise finance from export credit agencies and other official creditors, while the International Finance Corporation will lead the commercial bank funding.



INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

■ UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.
1986	13.5	8.3	6.49	7.67	3.43
1987	11.6	6.5	6.82	8.39	3.12
1988	4.3	5.2	7.65	8.84	3.61
1989	1.0	3.9	8.99	8.49	3.43
1990	3.7	5.3	8.06	8.54	3.60
1991	5.9	3.3	5.87	7.85	3.21
1992	12.4	2.4	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.78
3rd qtr.1993	12.2	1.4	3.18	5.61	2.76
4th qtr.1993	10.5	1.4	3.34	5.59	2.73
1st qtr.1994	9.8	2.2	3.52	6.08	2.75
2nd qtr.1994	7.5	2.2	4.40	7.07	2.90
September 1993	11.7	1.4	3.16	5.35	2.73
October	10.9	1.2	3.26	5.32	2.71
November	10.4	1.4	3.40	5.70	2.74
December	10.1	1.7	3.35	5.74	2.74
January 1994	9.7	2.0	3.20	5.71	2.72
February	10.0	2.2	3.49	5.97	2.74
March	9.8	2.5	3.84	6.47	2.80
April	9.0	2.7	4.05	6.94	2.91
May	7.0	2.1	4.54	7.17	2.91
June	6.5	1.7	4.57	7.09	2.89
July	6.2	2.0	4.75	7.28	2.91
August	5.2	1.7	4.84	7.22	2.84

■ JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	5.0	9.3	6.62	6.51	n.a.
1986	6.9	8.2	5.12	5.35	0.84
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.22	0.48
1990	2.6	8.5	7.62	6.91	0.65
1991	5.2	2.0	7.21	6.37	0.75
1992	4.5	–0.4	4.28	5.25	1.00
1993	3.0	1.4	2.83	4.18	0.87
3rd qtr.1993	3.3	1.9	2.83	4.25	0.80
4th qtr.1993	3.5	1.4	2.14	3.57	0.84
1st qtr.1994	4.7	1.9	2.05	3.68	0.82
2nd qtr.1994	5.2	1.5	2.07	4.05	0.76
September 1993	2.6	1.9	2.46	4.09	0.79
October	3.7	1.8	2.30	3.85	0.80
November	3.3	1.5	2.22	3.64	0.84
December	3.4	1.4	1.90	3.25	0.89
January 1994	4.2	1.6	1.96	3.34	0.85
February	4.8	1.5	2.05	3.60	0.80
March	5.2	1.9	2.13	4.08	0.79
April	5.9	2.2	2.13	4.03	0.80
May	5.0	1.7	2.08	3.90	0.78
June	4.7	1.5	2.01	4.24	0.72
July	6.7	1.9	2.02	4.32	0.73
August	5.9	2.0	2.16	4.56	0.74

■ GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.4	5.1	5.45	6.94	n.a.
1986	9.9	8.7	4.64	5.80	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.11	6.94	2.22
1990	4.5	4.5	8.49	8.71	2.11
1991	5.1	5.6	9.25	8.44	2.38
1992	7.0	8.2	9.52	7.77	2.45
1993	9.4	7.9	7.28	6.44	2.11
3rd qtr.1993	9.9	8.1	6.82	6.34	2.01
4th qtr.1993	8.6	7.5	6.34	5.83	1.79
1st qtr.1994	11.1	11.6	5.88	5.93	1.75
2nd qtr.1994	11.4	10.5	5.28	6.71	1.72
September 1993	9.5	7.3	6.63	6.12	1.98
October	9.2	6.4	6.64	5.93	1.88
November	8.4	7.3	6.31	5.86	1.82
December	8.1	8.8	6.11	5.71	1.69
January 1994	11.8	11.4	5.90	5.63	1.71
February	11.0	11.9	5.91	5.87	1.77
March	10.5	11.4	5.84	6.27	1.76
April	11.6	10.8	5.61	6.43	1.68
May	11.2	10.7	5.20	6.63	1.67
June	11.3	10.0	5.07	7.05	1.80
July	9.7	9.0	4.97	6.90	1.79
August	10.1		5.00	7.10	1.74

■ FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	6.2	7.4	10.03	11.74	n.a.
1986	6.9	6.6	7.79	8.74	2.65
1987	4.1	9.9	8.26	9.46	2.75
1988	3.9	8.5	7.94	9.08	3.69
1989	7.5	9.5	9.39	8.79	2.88
1990	3.8	9.2	10.32	9.92	3.19
1991	–4.9	2.7	9.62	9.03	3.58
1992	–0.2	5.5	10.36	8.57	3.55
1993	1.4	–1.5	8.55	6.75	3.21
3rd qtr.1993	–0.6	0.6	7.74	6.38	3.14
4th qtr.1993	1.4	–1.5	6.74	5.92	3.01
1st qtr.1994	2.9	–4.0	6.29	5.99	2.85
2nd qtr.1994	2.9	–3.5	5.73	7.03	2.97
September 1993	–0.6	0.6	7.29	6.12	3.08
October	0.6	–0.1	6.99	5.95	3.02
November	–1.5	–1.0	6.74	6.02	3.07
December	1.4	–1.5	6.52	5.79	2.94
January 1994	2.2	–2.7	6.31	5.66	2.82
February	2.8	–3.7	6.30	5.93	2.81
March	2.9	–4.0	6.25	6.37	2.90
April	5.8	–3.3	6.01	6.65	2.89
May	1.3	–4.3	5.65	6.94	2.88
June	2.9	–3.5	5.57	7.48	3.14
July	6.1	–1.1	5.65	7.38	3.09
August			5.59	7.61	2.96

■ ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.
1986	10.5	8.2	13.25	11.47	1.41
1987	10.4	9.8	11.32	10.58	1.94
1988	7.8	6.9	11.24	10.54	2.71
1989	7.1	8.2	12.41	11.61	2.46
1990	9.3	9.1	11.98	11.87	2.84
1991	7.3	8.0	11.83	13.20	3.45
1992	6.7	7.5	13.86	13.29	3.63
1993	4.8	7.1	10.22	11.23	2.35
3rd qtr.1993	5.4	8.0	9.36	10.27	1.89
4th qtr.1993	7.4	8.1	8.89	9.10	2.02
1st qtr.1994	7.9	7.8	8.42	8.99	1.80
2nd qtr.1994	9.1	7.3	7.96	9.64	1.54
September 1993	6.5	8.9	9.18	9.65	1.85
October	5.8	7.5	8.87	9.04	1.94
November	8.7	8.8	9.08	9.34	2.15
December	7.8	8.0	8.72	8.94	1.97
January 1994	6.4	7.1	8.44	8.69	1.88
February	7.6	7.8	8.37	8.78	1.74
March	9.8	8.6	8.43	9.46	1.77
April	10.4	8.4	8.11	9.07	1.58
May	9.5	7.3	7.80	9.38	1.49
June	7.4	6.3	8.03	10.46	1.57
July	7.7	6.2	8.43	10.70	1.54
August			8.93	11.49	1.58

■ UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.7	13.2	12.32	11.03	n.a.
1986	4.0	15.3	11.02	9.97	4.35
1987	4.7	14.6	9.77	9.52	3.60
1988	6.8	17.0	10.41	9.69	4.48
1989	5.9	17.5	13.96	10.30	4.36
1990	5.3	16.1	14.82	11.53	5.07
1991	2.4	8.0	11.58	10.04	4.97
1992	2.4	5.1	9.73	9.09	4.91
1993	4.8	3.7	5.99	7.40	4.01
3rd qtr.1993	5.3	3.5	5.96	7.13	3.91
4th qtr.1993	5.5	4.4	5.61	6.61	3.75
1st qtr.1994	5.5	5.4	5.31	6.72	3.57
2nd qtr.1994	6.6	5.4	5.23	8.12	4.00
September 1993	5.5	3.5	5.98	6.91	3.88
October	5.4	3.8	5.83	6.81	3.81
November	5.1	4.6	5.96	6.77	3.84
December	5.9	4.9	5.40	6.28	3.61
January 1994	5.2	5.2	5.44	6.22	3.46
February	5.5	5.4	5.27	6.61	3.49
March	5.7	5.7	5.23	7.29	3.74
April	6.0	5.5	5.28	7.66	3.87
May	6.9	5.3	5.22	8.13	3.96
June	6.9	5.5	5.18	8.54	4.16
July	6.5	4.8	5.29	8.38	4.11
August	6.3	4.7	5.58	8.52	3.94

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Marketing cutback in US

Mazda ends Ford sales agreement

By Michiyo Nakamoto in Tokyo

Mazda, the Japanese car maker, is to cease selling recreational vehicles manufactured by Ford in the US market.

Mazda said yesterday that it will not be receiving the 1995 model of Ford's two-door recreational vehicle which Mazda has been marketing in the US as the Navajo.

Mazda's sales of the two-door Navajo has slumped to 560 units a month this year, down from about 850 units a month in 1990 when it began marketing Ford's off-road vehicle. The move highlights the difficulties vehicle manufacturers face when forming partnerships with competitors.

The Japanese company, however, was continuing negotiations with Ford to receive and sell the more popular four-door version of the Navajo, but agreement was not expected.

Ford holds a 24.5 per cent stake in the Japanese group and in June this year it strengthened its ties by increasing its representation on the Mazda board with the appointment of three Ford executives.

The appointments at Mazda underlined the problems at the Japanese car maker due to the economic slowdown in Japan and overcapacity in other world markets. The Ford appointments were announced together with a major revamp of top management at Mazda, with five board members retiring.

The end of the Mazda-Ford sales venture in the US is another bump in the road towards closer co-operation between the two vehicle producers.

Negotiations between the two companies on the European market, where Mazda would like to use Ford's facilities as a manufacturing base, have so far yielded no results after collapsing at one point early last year.

Mazda is one of the last main Japanese car companies with no manufacturing base in Europe and last year the company blamed a 23 per cent fall in overall exports in large part on slow demand in Europe. Seven of the eight Japanese manufacturers in the west European market saw the volume of sales fall in the first six months of this year.

Mazda did not comment on its proposed venture with Ford to manufacture pick-up trucks in Thailand.

The companies started feasibility studies, to be completed next spring, of the South-East Asian pick-up truck market, after which details of the venture will be decided.

Production was set to start in 1998. Mazda has a joint venture production line with Japanese and Thai companies in Bangkok.

Mazda said the Ford venture would run separately from the existing plant, now working at full capacity.

Mazda holds 4 per cent of the Thai pick-up truck market, trailing Japanese car makers Isuzu, which holds 31 per cent, and Toyota, at 27 per cent. Ford only has a 0.2 per cent share.

Pick-up trucks account for 90 per cent of Thailand's commercial vehicle market.

Among Japanese car makers Mazda is particularly in need of an alliance which could help raise efficiency by making better use of its facilities and goes some way towards furthering its global ambitions.

The company is suffering under the twin burdens of its under-utilised state-of-the-art plant in which it invested heavily, and a large distribution network for which it needs to supply a wide range of models.

Skoda pins hope on new model

By Vincent Boland in Prague

Skoda Automobilová, the Czech car maker which is part of the Volkswagen group, is hopeful that the launch of its new Felicia model, due to roll off assembly lines in November, will help revive the company's flagging fortunes.

Volkswagen, which is due to increase its stake from 31 per cent to 70 per cent next year, hopes so too.

The company expects to produce 11,000 Felicias by the end of the year and new assembly lines are currently being installed at its main manufacturing plant at Mlada Boleslav, north of Prague.

The company's production of the Favorit model, introduced in 1988, ended earlier this month.

A management and labour dispute over Skoda's plans to lay off 800 workers could still threaten the timetable for the launch of the Felicia.

The unions remain on strike alert while negotiations continue to try to resolve the issue.

Skoda made a loss of Kc4.26bn ($152m) last year on revenues of Kc35bn, and further losses are expected this year as a result of the fall in production due to the change of model. After producing 220,000 cars last year production is expected to fall to 180,000 this year before rising next year to 1993 levels.

The company is trying to reduce its dependency on the domestic market, where customers have increasingly preferred to purchase western car models in the last two years as incomes and spending power among Czechs has risen. Skoda is targeting new markets in Latin America and South-East Asia. Outside the Czech Republic, Skoda's main markets are Germany, Poland, Greece, the UK and Israel.

The company has signed up new distributors in China, North Korea and the countries of the former Soviet Union in an effort to expand sales in those markets.

Malaysia launches 'people's car'

The 'Mousedeer' will provide a small alternative to the Proton, writes **Kieran Cooke**

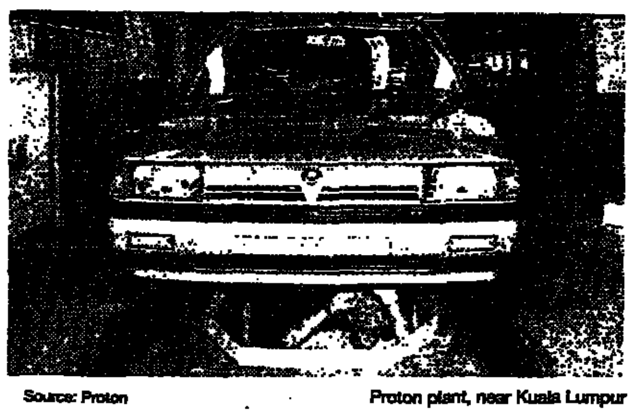
Malaysia has launched its second national car a decade after it began manufacturing the Proton. Now the small 660cc Kancil, manufactured 30km north of Kuala Lumpur, is appearing in the country's showrooms.

The debut of the Kancil – named after the country's "Mousedeer", a pygmy deer which lives in the Malaysian jungle – is being hailed by Malaysia's leaders as an important step in the country's ambitious plans to be fully industrialised by the year 2020. They are confident that the Kancil will follow Proton's example and capture a substantial slice of the domestic market. Exports of the new car are already being discussed.

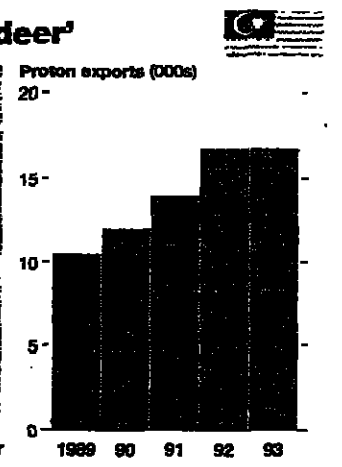
But the Kancil's success is by no means assured. Analysts forecast a rough ride before the second car project becomes profitable. The Kancil is manufactured by Perusahaan Otomobil Kedua, or Perodua, a consortium of local companies with strong government interests, together with Daihatsu and Mitsui of Japan. The four-seat sub-compact Kancil is modelled on the Daihatsu Mira and the Japanese company has a 25 per cent stake in the project.

Described as the "people's car", the Kancil is aimed at the lower end of the market and at those more affluent Malaysians who feel the need for a second car. At present the cheapest car in Malaysia is the 1300cc Proton Saga, which sells for around M$32,000 ($12,500). The basic Kancil model will sell for about M$24,000, while a deluxe version will be M$26,000.

Proton: a jump start over the 'Mousedeer'



Source: Proton — Proton plant, near Kuala Lumpur



Mr Mohar Badiozaman, Perodua's chairman, says that response to the Kancil has been very encouraging and the company plans to increase monthly production from 2,000 to 3,000 units to meet demand. "We are very optimistic – the car has only just been launched and already we have bookings for 12,000 units," says Mr Mohar.

Annual production is expected to reach 45,000 within two years, though Perodua has capacity to produce 60,000 units. The Kancil, like the Proton, will benefit from high duties placed on rival, imported cars. A Proton costs between M$15,000 and M$20,000 less than an equivalent imported make. Proton has now captured more than 70 per cent of the domestic market.

But the Kancil faces several problems. At least 50 per cent of the content of the car will initially be sourced from Daihatsu. Since the Kancil project was given the official go-ahead early last year the yen has increased more than 30 per cent against the Malaysian currency. Perodua says it compensated for cost increases by cutting back on capital expenditure. It says the manufacturing start-up costs have been reduced from M$500m to M$330m.

The Proton is produced in partnership with Mitsubishi of Japan. Proton says that after nearly 10 years' production, local content is more than 70 per cent. But the higher cost items, such as transmission systems, are still imported from Japan. Proton has not disguised its frustration at what it perceives as Japanese delays in transferring technology and is looking at alternative suppliers in France and the US.

Daihatsu has pledged to transfer technology as fast as possible. Perodua says that the level of local content in the Kancil will rise to 75 per cent within three years.

Perodua, like all producers of mass market cars, needs to achieve economies of scale if it is to achieve profitability. This is a tough proposition. Malaysia has a population of only 19m. While the market for a small car might be buoyant in the short term, Perodua will have to export to stay alive.

The Kancil will be hoping to follow the example set by Proton. Mr Nadzmi Mohamed Salleh, the head of Proton, says that exports have been crucial to maintaining profitability. "The domestic market for our existing models is at near saturation point. To achieve economies of scale we have had to increase production – that means we have no alternative but to increase exports."

Last year Proton produced a record 116,611 cars. Of those more than 17,000 were exported, the bulk of them to Britain where it has been among the fastest selling cars at the lower end of the market. But sales in Britain appear to have peaked.

Industry analysts say Proton sales were affected by the recent Malaysian ban on giving government contracts to British companies. Proton advertising in Britain now emphasises Japanese technology rather than the Malaysian origin of the car. Proton has benefited from its exemption from import duties under the EC's generalised scheme of preferences and sells in Britain for less than it does in Malaysia.

Proton is now seeking to diversify into other export markets. It is selling 2,000 cars to Indonesia next year under a complicated barter arrangement. It is also introducing left-hand drive models for export to Latin America and to the European continent.

But Proton's partner, Mitsubishi, is unhappy that the Malaysian car is intruding into its own export markets. Daihatsu is likely to raise similar objections if the Kancil starts eating into its export sales.

Though Malaysia's leaders view the formation of a national car industry as one of the country's great achievements, it has been a costly exercise with hundreds of millions of dollars of public funds poured into Proton. Despite a 35 per cent increase in turnover last year Proton's pre-tax profits dropped 9.3 per cent to M$282m.

Dr Mahathir Mohamad, Malaysia's prime minister, was the driving force behind the establishment of Proton. He has also played a leading role in bringing the Kancil to life. Critics accuse Dr Mahathir of being overly keen on prestige projects: a third national car project, in which Proton will be teamed up with Peugeot-Citroën, is already in the pipeline. "The Kancil will sell well in the short term," says a Kuala Lumpur based industry analyst. "But I doubt that it will match the success of the Proton."

BMW forecasts surge in Japanese sales

By Michiyo Nakamoto

The growing popularity of imported cars in Japan will almost triple sales of BMW cars by the year 2000, according to forecasts by the German car maker.

Mr Siegfried Richter, president of BMW Japan, said that the company expected to boost annual sales in Japan to 80,000 units in 2000, compared with last year. Mr Richter was encouraged in his optimistic outlook by the greater cost-competitiveness of imported cars and a growing acceptance of foreign-made vehicles by Japanese consumers.

The trend was likely to take the foreign share of Japan's car market to more than 15 per cent by the turn of the decade, compared with about 6 per cent now, he said. Efforts by foreign vehicle manufacturers to penetrate the Japanese market are also being stepped up. BMW, for example, plans to increase the number of dealers handling its cars to more than 200 from 153 at present. Foreign car makers have also been introducing attractive low-interest loans.

The German car maker expects sales this year to rise 16 per cent to 30,000 units. In the period from January to August sales have risen more than 12 per cent to 18,689.

Imported cars saw a 40 per cent rise in the first six months of this year to 137,000 units, according to the Japan Automobile Importers' Association. In August alone, imported cars surged 70 per cent, marking the 10th consecutive monthly rise.

Defence work stays at home

By Bernard Gray

Mr Malcolm Rifkind, the UK defence secretary, said yesterday that the reluctance of other countries to open their defence procurement markets to competition meant that Britain would continue to use domestic sources for the vast majority of its equipment.

Replying to questions at the Royal United Services Institute, Mr Rifkind said that at present some 90 per cent of procurement expenditure went on British-made equipment. He added that the government did not object to a more open procurement policy, but that other countries did not agree. As a result, UK procurement policies were unlikely to change.

Britain is currently considering a number of large procurement deals involving international competitors. These include transport aircraft for the Royal Air Force, attack helicopters for the army and a conventionally armed stand-off attack missile. All involve US as well as European competitors.

Mr Rifkind also responded to Russian president Yeltsin's call at the United Nations on Monday for further nuclear arms reductions. He said that much of what Mr Yeltsin had said seemed to relate to existing agreements, but that the text "should be studied for any new nuggets".

As far as Britain's nuclear weapons were concerned, the UK had always worked on the basis of a minimum credible deterrent, and the UK had not been in competition with other countries.

In his speech to the Institute, Mr Rifkind said that there was a "quiet revolution" going on in the management culture of the Ministry of Defence which had been assisted by the "Front Line First" review of costs.

Mr Rifkind said that 17 defence agencies had been created in the past 10 years and there was now a much greater emphasis on personal responsibility and accountability. A system of budget holders had been established which would produce efficiency gains.

However, the ministry had needed to go beyond that to meet the cost savings required by the public expenditure planning totals.

The front line first programme had done this across services and departments which had produced many proposals for joint services solutions to problems.

Chris Tighe on the death of an extraordinary industry in the north-east of England

Shipbuilding tradition goes under

The loss of Swan Hunter's design team means the unthinkable is about to happen – north-east England, the source for many years of more than a third of the world's ships, is to see its last shipbuilder die.

The departure this Friday of virtually all the remaining 100 designers brings to an end the struggle by Swan Hunter's workforce and local community, unions, politicians and receivers Price Waterhouse to keep alive one of the world's great shipbuilding companies.

Few industries have the grandeur and resonance of shipbuilding, in spite of the arduous toil it imposes on those who work in it.

Still fewer companies enjoy the exceptional commitment and loyalty Swan Hunter has sustained from its founding in the mid-Victorian era to today. Swan Hunter's employees and its reputation for quality form the bridge with that distant time before cars and aircraft.

Fourth-generation employees include Mr David Swan, 54, former quality assurance inspection manager – the last of the Swans and Hunters on the payroll. He is now unemployed, having been made redundant by the receivers in May.

Joint receiver Mr Gordon Horsfield, an insolvency practitioner for 21 years, said: "There's a sense of kinship which is quite extraordinary, something I've never really experienced before. It's a function of history, of shared triumphs and disasters."

Because Swan Hunter comprises several historic Tyneside shipyards the company's founding can be set at 1860, 1873 or 1874, when shipbuilder Charles Mitchell took over the Wallsend shipyard and made his brother-in-law Charles Sheriton Swan, David Swan's great grandfather, its manager.

Mr Swan, trading under the name C.S. Swan & Company, travelled regularly to St Petersburg to advise the Tsar on construction of ironclad battleships. His enthusiasm for marine engineering cost him dear. In 1879 he leaned too far over the rail of a steamer's paddlebox, fell and was killed.

North News and Pictures

The launch of the Mauretania in 1906: such events created kinship among employees, according to the receiver Gordon Horsfield

In 1880 his widow brought George Burton Hunter, later Sir George Hunter, into the business, His arrival started the company's rapid expansion as north-east England entered its greatest shipbuilding period.

Among Swan Hunter's biggest triumphs was the Mauretania, which for 22 years held the Blue Riband as the world's fastest liner across the Atlantic. Launched in 1906, she combined sumptuous beauty with technical innovation, thanks to Sir Charles Parsons, Tyneside-based inventor of the steam turbine.

US president Franklin Roosevelt wrote, in a comment that could have applied equally to Swan Hunter itself, that neither size nor speed alone could have given the Mauretania her fame. "That rested on something more secure and intangible – on her personality, for the Mauretania was a ship with a fighting heart."

Also exceptional was the supertanker Esso Northumbria, a 253,000 tonne ship, 1,143 ft from stem to stern, launched in 1969. She towered so high that Swans had to pay the lighting bills of the homes overshadowed during construction. Her launch was a logistical challenge. The Tyne was only 167 ft wider than the ship, even with a large notch cut from the opposite bank to stop her slamming into Swans' Hebburn yard.

More recent triumphs include the aircraft carrier Ark Royal, currently visiting the Tyne after active service off the former Yugoslavia, and Illustrious, on which Swans worked day and night for the Falklands campaign.

Swan Hunter has had bad times before, in periods of international recession. In the 1920s, its workforce turned to making garden furniture to survive as a team.

Recent decades have brought increasingly cut-throat competition from Far East shipbuilders and rivals under more favourable subsidy regimes.

Even so, as recently as 1975 the Swan Hunter group could claim to be Europe's biggest shipbuilding and ship-repairing consortium, with worldwide activities and 33,000 employees in 10 UK shipbuilding yards and nine repair yards at home and abroad.

The Type 23 frigate Richmond, to be handed over to the Navy on November 2, is the last of 2,700 vessels, merchant and naval, built by the company. One of the most dignified aspects of the receivership has been the workforce's unwavering commitment to finishing their last three frigates on time, to top standards.

After 16 months of receivership, of worldwide marketing and dogged negotiating, Mr Horsfield has only now given up hope of a going concern sale. He said: "All the opportunities there have been explored and no buyer has been found."

The Swan Hunter name may be sold as part of the intellectual property rights. This means it could go overseas.

For Mr Horsfield the workforce's humour and dedication to high quality have made this a receivership of bitter-sweet memories. For the workforce, Swan Hunter's demise is a tragic bereavement.

Mr Peter Hilton, 47, design team member and an employee for 30 years, said: "It's a family. The last people, you'll have to show them out and close the door behind them. If you left them, they'd just stay there."

Chip group to spend £100m on expansion

By Andrew Adonis

GEC Plessey Semiconductors (GPS), the UK's largest semiconductor manufacturer, yesterday announced a £100m ($158m) expansion of its plant in Plymouth, which could double the group's turnover within three years.

The investment is GPS's largest since 1990, reflecting fast-growing international demand for semiconductors for communications devices such as mobile phones and new multimedia products.

More than 70 per cent of GPS's output is exported.

The move follows last week's announcement of a £530m semiconductor investment in Scotland by NEC, the Japanese electronics giant.

NEC's investment is in addition to its existing plant at Livingston, near Edinburgh. Scotland won the decision in competition with NEC's largest semiconductor plant in Roseville, California.

GPS's plant at Roborough, Plymouth, is a state-of-the-art CMOS semiconductor plant, one of the company's four UK facilities. The expansion will quadruple its capacity and create a further 150 jobs. GPS's turnover is expected to reach about $320m this year, and could rise to more than $600m within three years.

Mr Ernie Pusey, sales and marketing director, said the expansion would make the plant "one of the most advanced semiconductor facilities in the world".

Empty offices sought for winter homeless

By Andrew Taylor

A leading construction industry charity is struggling to find empty London office buildings to provide temporary winter shelters for the homeless.

Construction Industry Relief and Assistance for the Single Homeless (Crash), sponsored by some of the industry's biggest companies, provides materials, skills and finance to turn empty buildings into shelters under the government's Rough Sleepers Initiative.

Landlords which lend unlet buildings will save on rates, as the buildings will not be unoccupied while the charity will meet heating, maintenance and security bills.

The scheme has been running since 1990 but this year it is proving difficult to find buildings, even though estate agents estimate there are 8m sq ft of vacant office space in the West End area alone.

Crash. Tel. 81-994-9195

Labour shifts its economic stance

By Philip Stephens, Political Editor

The leadership of the opposition Labour party yesterday cast itself in the role of ally to a vibrant market economy as it staked out the ground on which it will fight the next general election.

In a speech designed to mark a decisive break with postwar interventionism and 1970s-style corporatism, Mr Tony Blair said Labour's prescription for sustained economic growth was neither anti-market nor anti-business.

The last remnants of the party's ideological baggage were discarded as the opposition leader rejected the "laisser-faire dogma" of the Conservatives and Labour's past reliance on crude demand management in favour of a new left-of-centre economic agenda.

Mr Blair, who was speaking at a London conference alongside Mr Gordon Brown, the shadow chancellor, dismissed the idea that a future Labour government could solve the country's economic problems through higher spending and higher taxes.

Instead, its central objective would be build a new partnership between the public and private sectors which would reinforce rather than restrict the role of the market in promoting faster growth with low inflation.

In a co-ordinated operation ahead of next week's *Labour* party conference – the first since Mr Blair's election as leader in July – the two men warned that the party's social ambitions could be met only if it delivered a successful economy. Economic growth rather than increased public spending would provide the route to a more cohesive, fairer society.

Their speeches were dismissed by senior Conservatives as a transparent publicity exercise. Mr Michael Portillo, the employment secretary, accused them of offering "slogans and buzzwords" but not a single concrete proposal.

Mr Blair told the conference of academics and businessmen that a radical shift in Labour thinking to meet the realities of the 1990s would redefine the dividing lines between its strategy and that of the Conservatives.

The central dividing line was between the right's dogmatic reliance on market forces alone and a left approach that equipped business to prosper by promoting investment in education and industry.

On spending, the dividing line was between the Conservatives' increased spending on "unemployment, welfare and social decay" and Labour's desire to devote resources to economically and socially productive projects. On taxes, the the difference was not between high and low taxation but between fair and unfair taxes.

Strasbourg backs more funds for Northern Ireland

By David Gardner in Strasbourg and David Owen

The European parliament yesterday voted for increased aid to help cement the peace process in Northern Ireland while giving a rare standing ovation to Mr John Hume, leader of the mainly Catholic Social Democratic and Labour party.

The move came as unionists – responding to a warning by Mr Gerry Adams, the Sinn Féin president, that the IRA might in time return to violence under a new leadership – urged the government to make the IRA hand in its guns.

Meanwhile, Mr Adams attempted to qualify his earlier remarks, made in an interview with the Boston Herald newspaper, saying he had been speaking hypothetically and did not believe that the peace process would fail.

Mr Hume's reception was for his part in bringing about the IRA ceasefire. It emerged that the dominant Socialist group at the Strasbourg assembly intends to get the parliament to nominate the SDLP's lone MEP for the Nobel peace prize.

The parliament voted overwhelmingly for more aid and a cessation of violence by all paramilitaries in the province in order to reach a settlement which "must earn the allegiance and agreement of all traditions" in Ulster.

The Rev Ian Paisley, leader of the hardline Democratic Unionist party and also an MEP, was the sole dissenting voice in the debate.

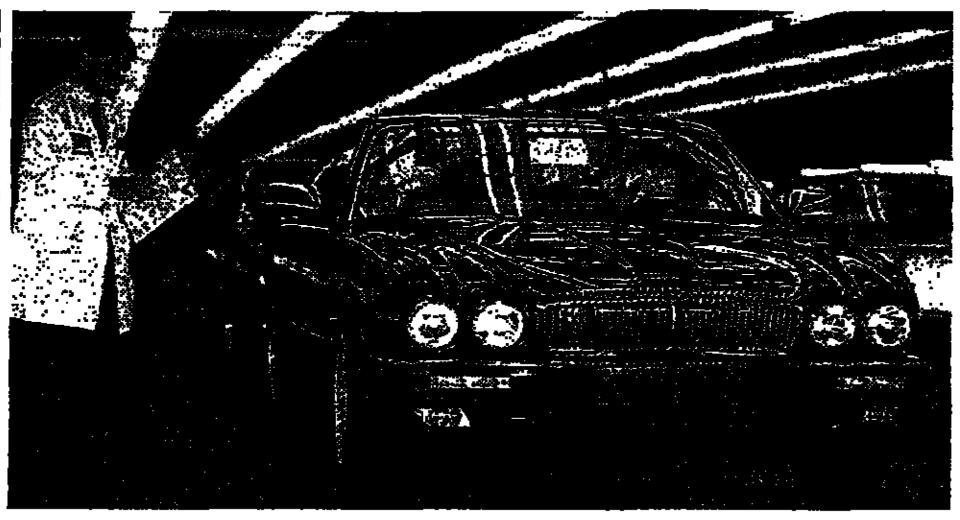
He reminded the parliament that the IRA had still not agreed to a "permanent" ceasefire, and that Mr Adams had warned of a return to violence in three years if the IRA "does not obtain satisfaction".

The vote was carried by 380 votes to 5 but Mr Paisley's four apparent supporters later contacted the parliament authorities to say they had pressed the wrong voting button.

Mr Peter Schmidhuber, European Union commissioner in charge of the budget, welcomed the parliament's backing for increased funding. He said the commission proposed raising the EU's contribution to the International Fund for Ireland from the Ecu15m ($18.6m) a year it has contributed since 1989 to Ecu20m.

The EU has already allocated Ecu1.23bn in aid to Northern Ireland for 1994-99 – up from Ecu1.07bn in 1989-93 – to develop infrastructure, research and development, training and small businesses.

Mrs Glenys Kinnock, the prominent Labour Euro-MP, was behind the effort to nominate Mr Hume for a Nobel prize, never previously attempted by the parliament. She was firmly against any attempt to include Mr Adams in the nomination, and said it "would not be appropriate now" for the Sinn Féin leader to address the parliament.



Roland Leon

Jaguar today unveils its XJ range of luxury saloons aimed at transforming the fortunes of the lossmaking UK carmaker, which was taken over by Ford in 1989 for £1.56bn ($2.46bn). The US carmaker is *doubling* its stakes rather than quitting, and expects to have invested another £1bn by the end of 1996. The XJ series, codenamed X300 during development, has cost more than £200m.

Former sales agent sues regulator over work ban

By Peter Marsh

The self-regulating body for the life insurance industry is being sued by a former sales agent, who alleges that one of its rules contravenes the Treaty of Rome by preventing him practising his trade.

The action has been brought against Lautro but is effectively against the Personal Investment Authority, the new watchdog for the private investor which is taking over Lautro's role.

If successful, the case could open the way for similar actions by some of the 100,000 former insurance agents who have lost their jobs over the past four years.

Liability for any damages would lie with the new authority's member organisations, which include banks, life insurers and independent financial advisers.

The action centres on a rule operated by Lautro since 1991, and now adopted by the Personal Investment Authority. This says that sales agents who owe £1,000 or more to a Lautro-registered insurer are not allowed to work for any other Lautro member.

The writ against Lautro – on which neither it nor the new authority wanted to comment – has been brought by Mr Charles Bunbury. He claims that Lautro's rule stopped him gaining further work as an insurance agent after he left Oaklife Insurance in 1991 with a debt of £17,000. He was unable to pay off this debt, became bankrupt and is now unemployed.

Mr Bunbury's lawyer is thought likely to argue that the Personal Investment Authority's members should be liable for damages of several hundred thousand pounds to compensate his client. The case is unlikely to come before the High Court before the end of next year.

Political lobbyists and clients to be registered

By David Owen

Britain's image-makers yesterday moved to polish their tarnished image by unveiling plans to strengthen the regulation of political lobbyists.

The public relations industry is to introduce a register of lobbyists and their clients in response to controversy over the ways some MPs use outside interests to supplement their parliamentary salaries.

This follows repeated calls by practitioners for parliament to regulate lobbying activities.

The industry is following the example of the Association of Professional Political Consultants which published a code of conduct for professional lobbyists to try to avert charges that MPs sometimes face conflicts of interest through their links with lobbying firms.

The two organisations behind the latest move – the Public Relations Consultants Association and the Institute of Public Relations – portrayed it as an attempt to make more information available about the activities of lobbyists.

Both bodies – which represent consultancies and practitioners, including some lobbyists – have also augmented their general codes of practice to include specific guidelines for political consultants.

The initiative comes as a House of Commons committee investigates MPs' outside interests following newspaper revelations that two MPs were willing to put parliamentary questions to ministers in return for payments of £1,000.

The inquiry is expected to dissuade MPs from supplementing their salaries by acting as directors or consultants to lobbying companies.

Britain in brief

Sharp drop in reported crime

Figures showing the biggest fall in recorded crime for 40 years rekindled political disagreement over law and order policies yesterday.

Crime recorded by police forces in England and Wales fell 5.5 per cent in the year to June. Some 5,365,400 offences were recorded in the previous 12 months, a fall of 311,500 from last year's figures.

Mr David Maclean, home office minister, said the figures showed that rising crime was not inevitable. Mr Alun Michael, for the opposition, accused the government of an exercise in stage management. He said concentration on the overall reduction had disguised increases in theft from the person, violence, robbery and sexual offences.

Mental patients 'risk to public'

Patients with severe mental illness are being pushed out of London hospitals, posing a possible risk to the public, the government's Mental Health Taskforce said yesterday.

A severe shortage of emergency hospital beds in the capital meant that patients were being discharged early to make way for others even more chronically ill, it said.

Opposition to county changes

Consultative referenda held in 10 counties by the Local Government Commission have revealed strong opposition to government plans to restructure local government in England.

The government wants to replace the two-tier system of counties and districts with all-purpose unitary councils.

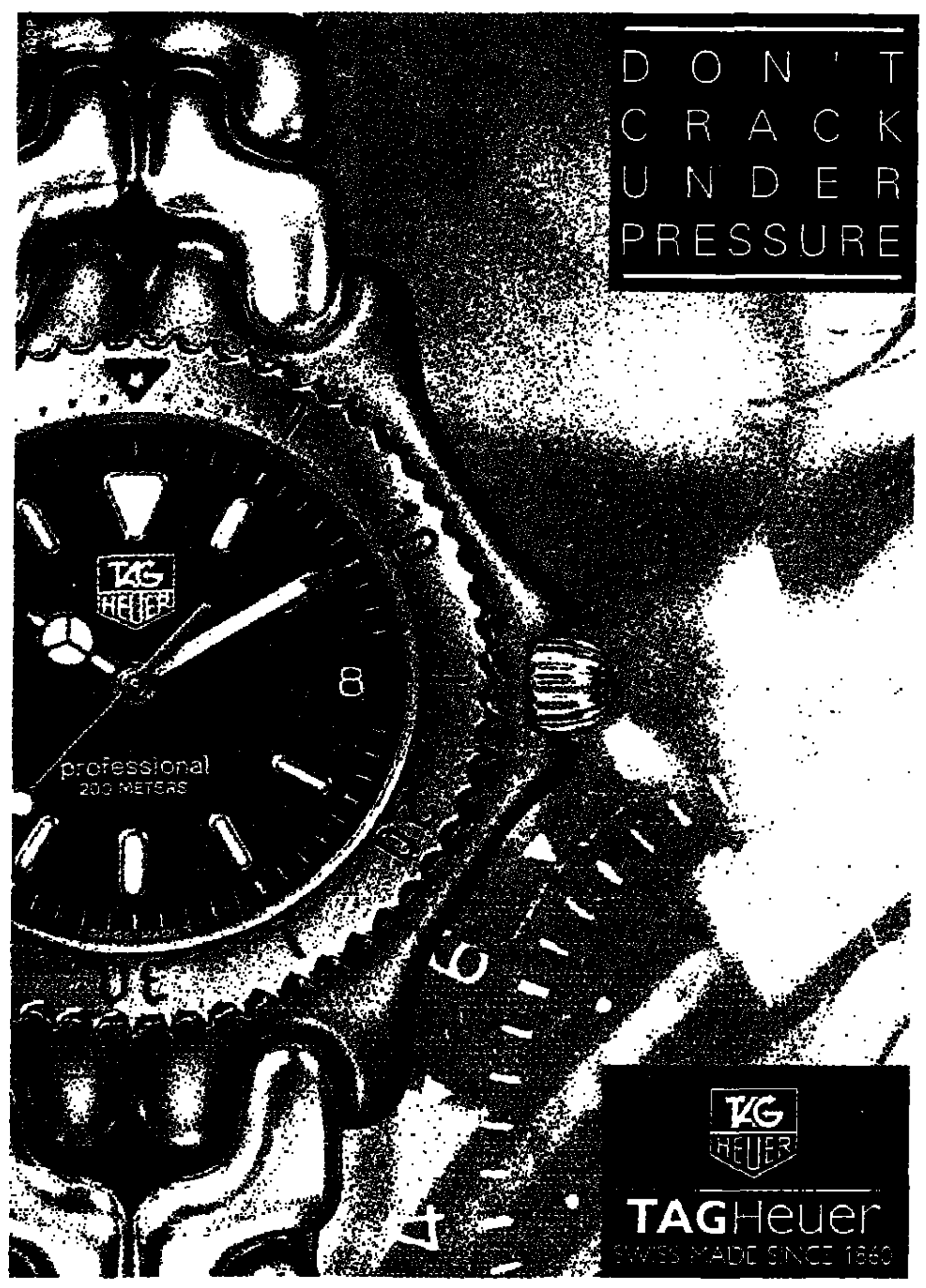
All households in the areas concerned were sent consultation leaflets. The response rate was 5.47 per cent.

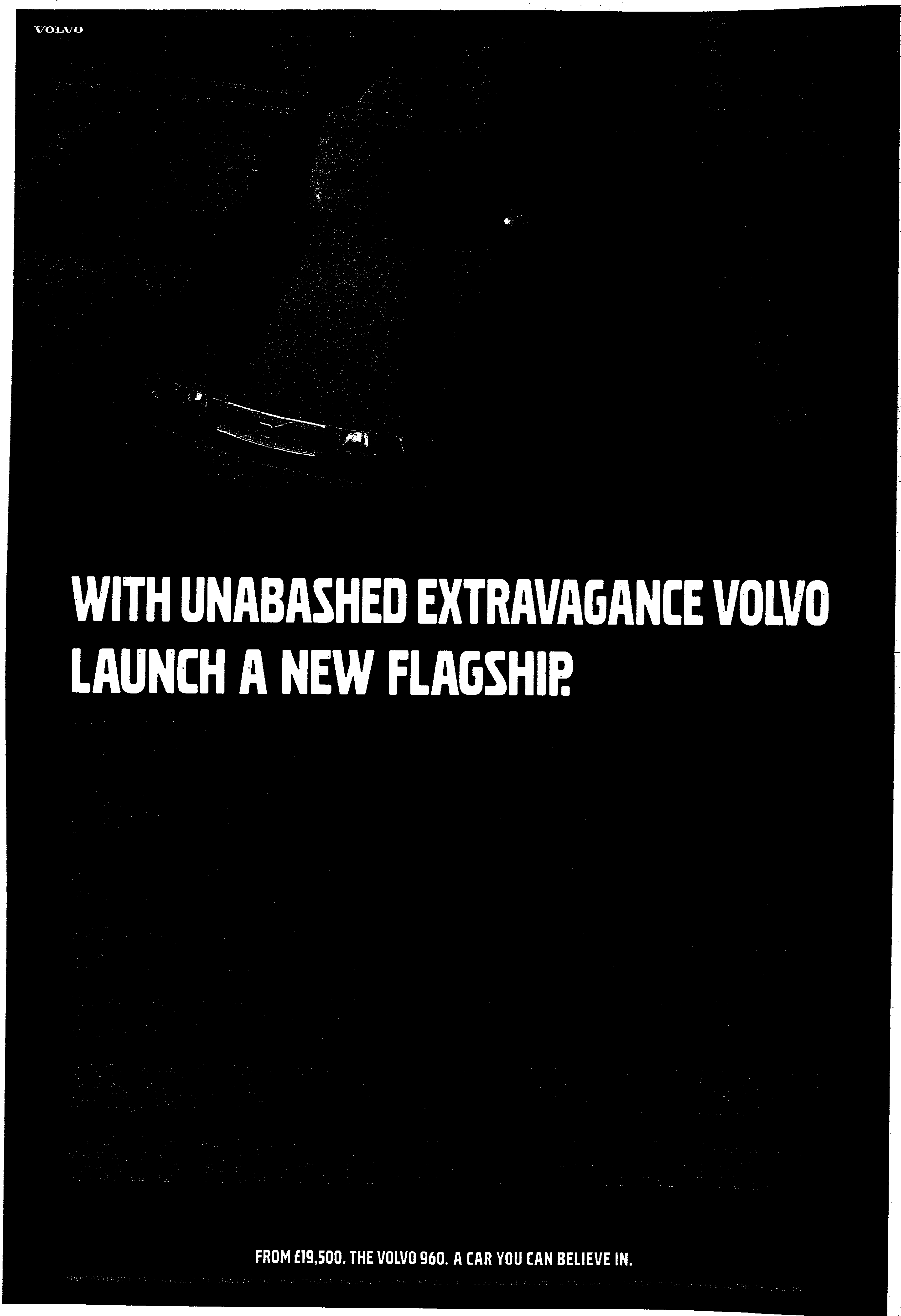
In eight of the 10 counties covered, keeping two tiers, at least for part of the county, was the *favourite* option.

Coal technology cuts emissions

A new method of burning coal in large power stations which is expected to reduce emissions of pollutants is to be installed in Scottish Power's 2,400MW coal-burning station at Longannet on the Firth of Forth.

The technology will cut emissions of nitrogen oxide by 70 per cent.

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WITH UNABASHED EXTRAVAGANCE VOLVO LAUNCH A NEW FLAGSHIP.
FROM £19,500. THE VOLVO 960. A CAR YOU CAN BELIEVE IN.

MANAGEMENT

Turning lunchtime wine into water

Richard Donkin bemoans the removal of the drinks cabinet from today's corporate dining rooms

It was a typical corporate dining room. Four places set for lunch, napkins, side plates, wine glasses. Would I like an aperitif?, asked the chairman. "Just a tomato juice, please." His smile broadened as he revealed that he too was on tomato juice. So too was his colleague – and his colleague's colleague.

"So you don't drink at lunchtime?" he ventured. What should I say? There, standing provocatively, in the middle of the table, dribbling with condensation on its pond-green glass cooled side, was an uncorked bottle of Sauvignon.

"Well, sometimes." The bottle did the rounds, each host declining in turn. It was a bottle straight from Wonderland. "Drink me," it said. So I did. Just a glass or so, but it was pure sin – and I knew it.

There is no escaping the lunchtime culture change. One of the corporate miracles of the 1990s has been the turning of wine into water. Drinking and the company lunch is becoming a Spartan affair in our austere industrial climate. Today's lunch is business from the first forkful.

The erosion of the chummy business lunch probably started with the "working lunch" some years ago and evolved into an in-house, buffet-style get-together, no table cloth, peel-your-own fruit – more an excuse for a meeting than an excuse for lunch. The other type of in-house lunch, the one designed to impress your visitors, has survived after thriving during the heady 1980s, but even this is becoming more businesslike.

In the City, at least, lunch has become the institution that sorts out the roundhead champion of the Protestant work ethic from the cavalier lush, more accustomed to keeping gentlemen's hours. The corporate roundheads are winning the battle as the executives of yesteryear are routed from their comfortable routines.

The roundhead manager is easy to spot, he – or, increasingly, she – keeps a clean desk, works briskly and efficiently and uses lunch to stock up on lettuce-laced fuel for the rest of the day. The knife is a tool for stabbing home a point, the fork and plate merely utilitarian thinking accessories. The greatest statement of all is made by the glass of water.

Whether effervescent or still, it says that you mean business, that you did not come here to relax and enjoy yourself, that you are alert, sensible and a fully paid-up member of workaholics anonymous.

There is nothing left for the cavaliers but to clink their glasses of eau de tap and drink to the old days

Dianah Worman, a policy adviser at the Institute of Personnel and Development, says: "The latest thinking is that it is perhaps not a good idea to expose people to lots of alcohol at work. We are talking about something that undermines people's performance."

Worman identifies professions such as medicine, the police force and journalism where drinking cultures still exist, but she suggests the practice is on the decline. Her own organisation bans drink in the workplace except at retirement parties and the Christmas drinks party. The number of companies with strict alcohol and drugs policies is growing markedly.

British Rail and Railtrack, which introduced policies last year, not only insist that all their employees do not work under the influence of drink, but that their contractors also comply with the same policy.

Ford, GEC, Nuclear Electric, Royal Bank of Scotland, Shell and Whitbread were all listed in a recent Incomes Data Services study as companies with alcohol policies. In 1980, Whitbread exchanged its traditional daily beer allowance, which could be drunk on site, for a periodic take-home arrangement. in an attempt to promote sensible drinking.

According to the IDS study, alcohol and drug misuse costs industry at least £1bn a year. A fifth of large employers, it said, had formal alcohol polices, still lagging behind the two-thirds that now have smoking policies. The more stringent approach to alcohol in some companies has been influenced by changes in the law. The 1992 Transport and Works Act made it illegal for transport workers in safety-sensitive positions to report for duty having taken alcohol or drugs. Their employers must also use due diligence to prevent alcohol or drug use.

Equivalent US legislation is even more draconian, covering 7m employees with a widespread use of random-alcohol tests.

As at British Rail, some employers are deciding that it is unacceptable to allow drinking for some and not for others. Worman says that those company directors who still have not consigned their office drinks cabinets to the scrap heap might consider doing so.

There seems no disputing that the roundheads have firmly secured the legal and moral high ground. In the new era of office prohibition, lean companies and performance-related everything, there is nothing left for the cavaliers to do but to clink their glasses of eau de tap and drink to the old days.

Break-Out: a new fashion at Sears

Neil Buckley on how a UK retailer is encouraging its different chains to co-operate with each other

Street wise: Sears chief executive Liam Strong put on his blue jeans to host a 'town meeting' with managers

Inside a warehouse on an industrial estate near Birmingham last month stood a high street, complete with a row of shops, fast food outlets, and an amphitheatre at one end with a giant screen and sound equipment.

This was not a theme park, or the UK's latest new town. It was created as the venue for a series of training days for store managers from Sears, the UK fashion group whose chains include Dolcis, Wallis, Warehouse, Richards, and Olympus, as well as Selfridges department store in London.

The shops were constructed within days from canvas and metal frames in redundant warehousing space, and disappeared just as quickly, but they served as an effective environment in which store managers could meet and learn new skills.

Such initiatives have played an important part in the regeneration of Sears – further evidence of which was provided by yesterday's rise in interim pre-tax profits from £38.9m to £53.8m.

Of the four large UK fashion groups which ran into difficulties around the turn of this decade – Next, Storehouse, Burton and Sears – it was perhaps Sears, with 3,500 stores under more than a dozen fascias, and about 35,000 full-time equivalent staff, that faced the most complex problems.

It may not have been losing money – even if group profits fell from a pre-tax peak of £246m in the year to January 1988 to £81m in the year to January 1992 – and it had fewer debt worries than some competitors. The group, however, was sprawling and unwieldy. Communications between stores and the centre – and between stores themselves – were poor. Functions were sometimes duplicated, and there were few structures allowing ideas and expertise to be passed from one chain to another.

As chains had been acquired, they had often been left to do things their own way. Burton, another fashion retailer made up of a number of multiple chains, faced a similar problem, with its high-street stores trading in competition with one another rather than co-operating in certain areas and targeting different market segments.

Another problem was that Sears would often be one of the biggest retailers in a town centre, but its turnover was split between ten or more stores which hardly knew one another. This denied Sears a potentially powerful voice in the town's affairs.

Liam Strong, the former marketing director of British Airways appointed Sears chief executive in spring 1992, realised that as well as restructuring – the underperforming menswear businesses were sold and the shoe business British Shoe Corporation revamped – a culture change was needed. He hired Rod Taylor, a former colleague at British Airways, as director of human resources, and at a conference of the top 200 Sears executives in October 1992 launched the Sears Action Programme. The aim was to bring together different functions, such as buying, merchandising and marketing, and to get stores and chains to work together.

By the following February, the programme, now known as Break-Out, was showing results. Meetings between chains had identified possible cost savings of between £7m and £8m a year.

Further evidence of the culture change could be seen at a conference for the top 300 executives in March. "People started to stand up and say things like, I have 'stolen' this idea from womenswear," says Taylor.

Co-operation still did not go far enough, however. Taylor launched a Break-Out team, putting together 17 people from Sears businesses with five consultants from Gemini Consulting, to deepen the process. He also introduced a management training programme at the centre and in the stores.

At head office, where staff had been extensively reshuffled by Strong, the top 50 executives were invited to undertake a course of executive coaching, weekly sessions of management training with consultants, at the company's expense. They were free to choose the coach and the skills they wanted to develop. All but two took up the offer, and Taylor is confident that the £250,000 costs of the scheme will be more than recouped by the benefits, in the form of better-trained directors who can pass on their skills.

At the stores level, Sears brought managers together in a series of day-long training events. The first ten regional Break-Out days, involving 350 store and concession managers at a time, were held a year ago. A follow-up series of eight "Sears retail days" for 450 managers at a time, was held last month in the mock-up high street in Solihull.

Events began with a "town meeting" hosted by a jeans-wearing Liam Strong, at which managers were able to put questions to similarly casually attired managing directors of the retail divisions. These were frequently blunt – "How can we get head office to listen to us?" was one question last month – but Taylor says the process was important for both sides. "Confronting the managers was a big learning process for the MDs. They realised answers that sounded like cotton wool were not going to be credible."

After this town meeting, managers moved into the store areas to participate in seminars on such subjects as visual merchandising and customer loyalty. They also held meetings with colleagues from their own towns to discuss forms of co-operation, such as cross-fascia training or joint security measures.

Strong says these events were important as a way of getting store managers talking to one another, and making them feel personally involved in the changes.

The feedback from the retail days has been good and there have been visible changes in the stores.

"People can only take away very simple messages from these events," he says. "The two ideas we wanted them to take away is that we continue to be committed to change, but it is tough going. The second is that there is a lot they can do themselves."

BUSINESS AND THE ENVIRONMENT

On the trail of a sponsor

Eco-sponsorship, the increasingly popular form of promotion, has hit the hiking trails of Switzerland.

The Swiss League for the Protection of Nature* was looking for financing to restore a spectacular trail in a nature reserve high in the Bernese Oberland, when Timberland, the US hiking shoe company, agreed to put up funding for the project.

Timberland had heard about it through Alp Action, a Geneva-based organisation set up by Prince Sadruddin Aga Khan four years ago to mobilise funds for preservation projects in the Alps. The company will spend $120,000 (£76,000) for the initial restoration plus an ongoing commitment to maintenance.

In return, the path, which rises more than 1,000m from Stechelberg at the head of the Lauterbrunnen valley to Oberhorn just beneath the tumbling Breithorn glacier, has been named the Timberland Trail. The company's name or logo appears on explanatory billboards and signposts all along the 7km route.

Louis Ferran, Timberland's international vice-president, says the company's investment was not simply aimed at selling more outdoor shoes and clothing. "Certainly, our products make no sense if the environment is not maintained. But many companies use the environment in their marketing."

Timberland has a policy of trying to involve other people in its activities. It has participated in City Year, a youth service corps in the US, and it provides its employees with time off for community service projects. But it had done little in Europe, where sales have been growing rapidly. This year, it expects $140m of its $700m sales to come from Europe. In the SLPN, it found a partner with 100,000 members involved in preserving the environment.

Ian Rodger

Contact Otto Sieber, SLPN secretary-general, tel Basle (41-61) 312-7447.

Wild at heart: Eskdalemuir's lakes, meadows and native trees allow crop protection, good land use and wildlife diversity

If you go down to the woods today

Deborah Hargreaves visits Eskdalemuir forest, where wildlife thrives alongside a valuable timber resource

Ronnie Rose stands in a forest glade pointing to the bank where roe deer can slip down under cover of willow trees to drink at the stream. As senior wildlife manager at Eskdalemuir forest in Scotland, Rose has designed the woodland planting to provide clearings where deer can gather and feed.

But Rose's efforts to provide a suitable habitat for the deer are not motivated purely by conservation. "I am here to make sure this investment reaches the marketplace in the best condition possible," he says.

Around 60 per cent of Britain's forests are privately-owned as a long-term investment for individuals and pension funds. Conifers take at least 30 years to mature and if the trees are damaged by animals before felling, their market value can be cut by up to a third.

Eskdalemuir is Britain's largest privately-owned forest covering 11,000 hectares. Rose and his team of 10 wildlife specialists pursue a policy of active conservation to control animal numbers on behalf of 45 separate owners.

Commercial forests planted in the past 30 years tend to be dominated by the sitka spruce, a species of North American conifer which adapts well to the UK climate, grows fast and straight and is much in demand from industrial timber users.

But as Len Yull, marketing director at Tilhill Economic Forestry, part of the Booker agribusiness group, which manages the Eskdalemuir forest, explains: "When we introduced these North American trees we did not bring the wildlife with them, so we have to build routes for British birds and animals into the American forest."

The routes involve planting deciduous trees such as oak, alder, hazel and willow in clumps to attract native birds and animals. Biodiversity not only looks better, but also helps to protect the trees. Short-eared owls, for example, prey on voles, which strip the bark from young trunks.

Where there are few natural predators, Rose must take their place. He has to shoot up to 1,000 deer each year out of a population of 3,000 to keep numbers down and prevent damage. By designing meadows and open spaces within the conifer plantations, he can monitor the deer numbers and cull the old, sick or wounded. Rose says that he also has to play "referee" for three species which, if left alone would destroy many animals that benefit the forest. For this reason he kills mink, foxes and carrion crows which eat the eggs of the ground-nesting, short-eared owls.

In order to monitor animal populations, Rose must be aware of their habits and movements. For example, sika deer which strip the bark from trees only move into a forest when the trees are 15 years old.

Rose has created meadows in the forest to help bring the sika deer into the open. "To manage the deer population, you have to see them," he explains. The trade-off is a 7 per cent loss of space for conifer planting, but it helps ensure that the trees survive until maturity. It means "your investment gets to market in year 30".

Red deer must be watched when the trees are mature because they can damage the timber just days before it is chopped down, while roe deer prefer eating trees younger than two years.

In spite of the damage that some animals can do, Rose resists the idea of a "dead" forest where trees are planted so tightly that there is little room for other vegetation or animals – the type of forestry sharply criticised by environmentalists. He has also established ponds and lakes that act as fire barriers, and which support fish, dragonflies and other insects as well as reeds and wild flowers. The tops of the mountains, unsuitable for planting trees, are kept as grouse moors.

Eskdale is a showpiece forest for Tilhill, which manages 12 per cent of Britain's private woodlands. "It is a unique forest because it is on a scale to allow for this sort of wildlife management," said Martin Wilkinson, forestry operations director.

"It really brings the benefits of crop protection, good land use and wildlife diversity at a pretty modest cost," Wilkinson says. He reckons that the extra cost of Rose's active conservation policy is not more than £5 per hectare and often £2 to £3 out of an annual running cost of up to £30 per hectare.

Britain's forestry industry has been criticised by many environmental groups for its lack of sensitivity to wildlife and the landscape. But Wilkinson says the days of planting unbroken ranks of conifers across miles of hillside are gone – new forests must meet a stringent set of environmental guidelines to qualify for grants. Today, conifer forests generally include 20 per cent of open space, 10 per cent broad-leaved trees along streams and boundaries, with 10 per cent of conifers other than sitka spruce.

Wilkinson says: "Fifteen years ago we were encouraged to make maximum productive use of the land, but today people want more visual diversity."

The government still has plans to encourage more forestry planting in the UK where production meets only 12 per cent of current need. It has just introduced a new direct grant scheme to encourage private landowners to plant more trees.

The grants of £700 per hectare for planting conifers cover 70 per cent of the costs of starting a forest, but Wilkinson reckons it is not enough to encourage the level of start-up the government wants to see. Government targets for new plantings of 33,000ha a year have never been met since they were set in 1987. New tree planting is currently running at about 18,000ha a year.

Foresters say trees cannot compete with the high price of agricultural land which is supported by European Union subsidies. The UK government introduced a farm woodland grant scheme to try to persuade farmers to plant more trees, but this has so far attracted only 4,000 to 5,000ha a year of new planting.

Wilkinson maintains that forestry provides many ecological benefits and supports a greater diversity of species than the upland sheep farms it often replaces. Tilhill reports that 127 different breeds of bird and 17 species of animal can be found in the Eskdalemuir forest. "We are providing a different micro-climate for wildlife and also a valuable resource which is much in demand."

Frances Williams on why banks focus on lender liability

Turning green at the thought

Mention the word "environment" to your average commercial banker and watch him flinch. Never mind the booming market for environmental services, the investment opportunities, the growing demand by consumers for "green" products.

His first thoughts are as likely to turn to the mounting bill for cleaning up toxic waste sites or fears of customers pushed into default by unforeseen environmental costs and regulations.

A global survey of 60 banks conducted for the United Nations Environment Programme (Unep) found that the banks' environmental policies focused predominantly on credit risk management. The environment was a negligible factor in equity financing; banks have yet to promote "green" business with enthusiasm.

When senior officials from 45 of the world's biggest commercial banks met in Geneva this week to discuss environmental issues, the main topic was lender liability for environmental risk and how to avoid it. Quantifying risk came next, followed by "greening" the banks' own internal operations. Investing in sustainable development came a long way down the list for most of the banks at the gathering, which included Britain's National Westminster, Citibank of the US, the Bank of Tokyo, Deutsche Bank, HSBC Holding of Hong Kong, the three major Swiss banks and Bank Dagang Negara of Indonesia.

According to Unep, which sponsored the two-day round table, the banking sector's anxiety over lender liability overshadows all other environmental concerns. The problem arises because almost everywhere lenders can be held responsible for some kind of environmental malpractice or simple misfortune of their clients. Even if banks are not legally liable they may lose their money if the customer defaults.

The size of the risk is enormous. The cost of cleaning up toxic waste sites in the US, where the lender liability problem is most acute, is put at up to $500bn (£316bn). But even in the Asia-Pacific region, the World Bank estimates $38bn a year will be needed for clean-up operations.

A Unep report prepared for the meeting notes that banks in industrialised countries have gone to great lengths to protect themselves from liability, ranging from environmental audits to mandatory bonds posted by borrowers to cover future potential environmental costs.

Others have chosen a simpler course. In a 1990 survey of local commercial banks by the American Bankers' Association, nearly half said they no longer financed certain types of business, such as petrol stations, because of liability fears. Nearly two-thirds of the banks turned down loan applications on the same grounds.

Defensive action by banks to limit risk exposure has seriously inhibited funding for clean-up projects and investments in environmental protection.

"If a small percentage of the time, resources and talent that has gone into avoiding legal liability focused instead on finding new solutions to clean-up and environmental management issues, progress might be made," the report comments.

It notes, however, that a number of governments are drawing up guidelines for lender liability to try to reduce the uncertainty. Unep favours schemes to pool environmental risk such as collective liability funds and public-private sector partnerships for clean-up and other environmental projects.

The banks also swapped experience in making their own operations more environment-friendly, in areas such as energy efficiency and paper consumption. A study by Swiss Bank Corporation, for example, showed that a large bank uses as much electricity as a town of 60,000 people.

Ms Hilary Thompson, head of environmental management at NatWest, says: "It's not going to be very easy for a member of the financial sector to turn round to customers and ask them to do something if they haven't put their own house in order first."

PEOPLE

MTM ends its lengthy search

MTM, the chemicals company which almost collapsed two years ago, yesterday ended more than a year of management uncertainty by naming a new chief executive.

The group has recruited Donald Neil, managing director of Rocol – the chemical products subsidiary of Morgan Crucible – to oversee a new acquisition strategy aimed at establishing three or four core businesses in sectors such as bio-technology, ceramics and instruments.

The appointment follows a six-month search for a replacement for Ken Schofield, who stepped down in June last year after completing a rescue restructuring.

Neil, 51, is expected to continue the reorganisation, which was dominated by the disposal last year of most of MTM's assets to BTP, the fine chemical company, for £100m, and the acquisition in March this year of Colin Stewart Minchem, the Cheshire-based chemical company, for £11.8m.

"We've been described as leaderless, but that was unfair. We simply delayed recruitment to ensure we had a new business capable of moving in the right direction," says David Swallow, chairman and acting chief executive, who will now revert to being non-executive chairman.

Before moving to Rocol, Neil – a chartered chemist – was a director of Manders, the coatings and inks business, and a divisional director at Croda International, the chemicals group.

He was chosen from a short list of eight candidates and will receive a basic annual salary of around £100,000 plus bonuses and share options.

Insurance moves

■ **Paul Swain** has been appointed a director of HORACE CLARKSON.

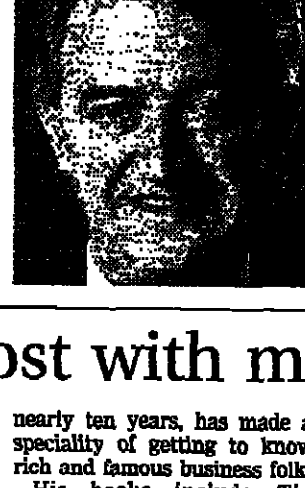
■ **Mike Dunsmore** has been appointed group treasurer and director of NICHOLSON LESLIE Management Services; he moves from The Bank Relationship Consultancy.

■ **James Magee**, chief executive of Miller Knight, has been appointed chief executive of ROBERT BISHOP and a director of Robert Bishop Southern.

■ **Charles Bridges** has been appointed md of SEDGWICK Aviation.

■ **Eric Sandlund**, formerly md of Jupiter Tyndall in Hong Kong, has been appointed md of PRUDENTIAL Portfolio Managers to set up investment operations in Hong Kong. **Jim Sutcliffe**, formerly deputy md, has been appointed md of Prudential's home service division on the retirement of **Tony Freeman**; **Alan Smith** has been promoted to be the division's marketing director.

■ **Michael Hannan** (below), project manager, has been promoted to coo of the LONDON PROCESSING CENTRE, the jointly-owned company set up by the Institute of London Underwriters and the London Insurance and Reinsurance Market Association.



Parayre joins Tarmac board

Jean-Paul Parayre, former vice president of Groupe Lyonnaise des Eaux-Dumez, the large French water and construction group, has been appointed a non-executive director of Tarmac, one of Britain's biggest construction groups.

Parayre, 57, who at one stage headed Transmanche Link, the Anglo French construction consortium which designed and built the Channel tunnel, is based in France and is expected to help Tarmac strengthen its growing operations in the country.

Tarmac, a founder member of Transmanche, says Parayre, who spent 12 years in the French civil service before joining Peugot where he organised the takeover of Chrysler Europe, has valuable experience of French government and industry.

Fallon's post with mail order

Ivan Fallon, the former deputy editor of the Sunday Times who specialises in writing biographies of wealthy businessmen, is joining the board of N Brown, Sir David Alliance's family-controlled mail order business.

Fallon, 51, stepped down as business editor of the Sunday Times a few months ago and is about to take up a senior executive position with the Argus Group, the South African newspaper company in which Tony O'Reilly's Independent Newspaper group is the biggest investor. Fallon, who was City editor of the Sunday Telegraph from 1979 to 1984 and deputy editor of the Sunday Times for nearly ten years, has made a speciality of getting to know rich and famous business folk.

His books include *The Brothers: the rise and fall of Saatchi and Saatchi* and *Billionaire, the life and times of Sir James Goldsmith*. His biography of Tony O'Reilly, *The Player*, is published tomorrow.

The second youngest of six brothers, Fallon comes from an Irish literary family. His father was a poet and playwright and Ivan's younger brother, Padraic, also an ex-journalist, is now chairman of Euromoney Publications and a non-executive director of Allied Irish Banks.

Sir David Alliance, 62, who arrived in Britain in the 1950s as a poor immigrant from Tehran, has grown into Britain's biggest textiles magnate. He is best known as chairman of Coats Viyella but it has been the strong performance of N Brown, a Manchester-based home shopping group, which provides the bulk of an estimated family fortune of £200m.

Sir David does not expect Fallon's new job in South Africa to interfere with his new duties as a non-executive director of N Brown. However, it sounds as if Fallon will be too busy to pen Sir David's biography – even though he is tempted. "It's a fascinating story," says Fallon.

Graham quits Specialeyes

Differences of opinion on the board of Specialeyes, the loss-making USM-traded retail optician, have led to the resignation of Robert Graham, the retail operations director.

Although Graham's resignation does not signal a split on the board, he is believed to have had a difference of opinion over how the company should cope with an increasingly competitive market and lower margins.

Specialeyes has seen a number of board changes in the past two years. The most recent was the resignation in May of George Shand, the financial director.

Mark Raines, Specialeyes managing director, assumes Graham's responsibilities.

Graham, formerly retail operations director of Habitat, joined Specialeyes in September last year. Specialeyes said at the time that his appointment "completes the restructuring of the executive team".

Specialeyes incurred a pre-tax loss of £481,000 for the 12 months ended November 27 on a turnover from continuing activities of £20.54m. The figures compared with £2.27m and £25.94m respectively for the 78 weeks to November 28 1992.

■ Bensons Crisps announced yesterday that Tony Fiddian, its finance director since 1985, had left the company for undisclosed reasons and his successor would be appointed in due course.

Malcolm Jones, the chairman, said he was prevented by confidentiality clauses from giving further details.

The Preston-based company, which completed a big capital spending programme this year to lower manufacturing and storage costs, recently reported an interim pre-tax loss of £1.69m against a loss of £386,000 a year earlier.

Like other crisp and snack-makers, it is suffering from a vicious price war in supermarkets caused in part by excess manufacturing capacity. And there is no relief in sight, according to Jones.

Certain varieties of potatoes have been in short supply. Bensons has fixed price-scale supply contracts running to next June covering about 90 to 95 per cent of its output, Jones says. But margins are so thin that other cost increases would have to be passed on.

ARTS

Television/**Christopher Dunkley**

Adult choices made at the Prix Italia

Should grown ups really take much notice of television? Is there not something inherently childish and third rate about a medium which lionises Jeremy Beadle and Chris Evans? Flicking through Britain's four terrestrial channels on the Saturday morning before I went to Italy I found American accented rock and roll on the first, an American lecturing on the retina on the second, American accented rock and roll on the third, and American football on the fourth. No doubt the broadcasters would tell us that Saturday mornings are for children and Open University students, but the weekend is not the only time that you find this sort of four-pronged Morton's Fork, and it is not clear why broadcasters assume the English prefer all things American.

Happily the Prix Italia, held this year in Turin, has served, yet again, to prove that however much pernicious rubbish is produced, however much politicians insist that television must be dominated by the profit motive, however depressingly popular such schlock as *Gladiators* and *Neighbours* may become, there are still people around the world using television as a medium for music and other arts, for grown up drama and – perhaps most impressively of all – as a vivid and telling way of showing us what is going on in parts of the world remote from us. What is more, according to the international juries at this broadcasting festival – the oldest in Europe and therefore, probably, in the world – a disproportionately large number of those people are British.

There are three television categories: music and arts, drama and documentary. From the 24 programmes submitted by 20 countries in music and arts the jury gave the Prix Italia to *Strange Fish*, an engrossing, sad and funny ballet, choreographed by Lloyd Newson for the DV8 company and produced by the BBC. Co-producer was Reiner Moritz, a sort of late 20th century renaissance prince of television who has spent his whole life putting his money (and anybody else's that he can acquire) where his mouth is, in furtherance of the arts on television. There is no one else in Europe quite like Moritz, and it is gratifying to see his name associated with yet another prize winner.

From 26 programmes submitted by companies in 20 countries, the drama jury selected *The Snapper* as its winner. Another BBC production, this was written by Roddy Doyle, is set in Dublin, and tells the awful but hilarious story of Sharon Curley's unplanned, unwanted, and yet triumphant pregnancy. From 27 programmes originating in 21 countries the documentary jury chose *Les Lapirov Passent A L'Ouest* from La Sept in France as their winner. But the "Special" prize in this category went, yet again, to the BBC, this time for *Black Daisies For The Bride*, a programme which combines Tony Harrison's verse with documentary film from an Alzheimer's ward and moments of dramatisation from the earlier lives of the victims, creating a mixture of nostalgia and bleakness.

Out of six television prizes, the BBC won three and the rest of the world three (one each for France, Germany and Sweden). Seen alongside so much other material it should be said that the British winners did seem the right choices, a fact which forces reconsideration of the thoughts expressed in my opening paragraph. If Britain's "third rate" television can look so good alongside other people's, what on earth is it like living with theirs?. The answer, I suspect, is much the same as with ours, because so much of the material on the main channels, especially during peak time, is similar or even identical. *Gladiators* is an American format, *Neighbours* an Australian soap, Beadle's cringe television seems to have its counterpart in virtually every other country, and everywhere television is looking to the hyperactive jokesmith with a working class accent to carry those early morning and evening shows which are aimed at a mass audience largely concerned with doing something else while keeping half an eye on the box. Chris Evans is not alone.

Scene from the BBC's winning play in the drama section: 'The Snapper' by Roddy Doyle

For the British viewer in Turin, having already seen the British winners, the most interesting programmes were the other prize winners. *A Fatal Affair* from Sweden won the Special Prize in the drama category seemingly for reasons opposite to those required by the rules. Instead of recognising some special quality (electronic wizardry perhaps, or an original technique) we were told that the jury was "particularly pleased to note that an entry of such a standard, traditionally achieved by North American and British producers, can be submitted by one of the smaller countries taking part in the Prix". In other words the Swedes have joined the ranks of soap and mini series producers. Well whoopee. The winner of the Special prize for Music and Arts was a good though conventional performance-and-biography programme about a Swede – virtuoso trombonist Christian Lindberg – made by ZDF of Germany.

For me, however, television suddenly began to seem dramatically better than third rate and very definitely not childish on the afternoon when I saw *Les Lapirov* promptly followed by the documentary *De Overlevenden* ("The Survivors") made by BRTN Belgium. In the French programme Jean-Luc Léon followed the Lapirovs, a family of Russian Jews, as they left the Soviet Union in 1981 to emigrate to Los Angeles. Then, ten years later, with the son grown from Russian boyhood to American manhood, Léon filmed them again as they returned to Moscow to visit family and friends. It could not be the whole story, of course, but this programme – which began before the fall of the Berlin Wall and ended after – spoke volumes about the reasons for the collapse of communism in eastern Europe.

To move from that to the Belgian programme was to move from Colditz to Auschwitz. *De Overlevenden* shows Albanians returning to the camps where they were incarcerated for 20, 30, even 45 years; where children were born and raised (according to one almost incredible statistic in this programme, more than half the Albanian population spent time in the camps). Most astounding and most moving of all, those going back today find the camps still occupied by former prisoners who can now find nowhere else to live. Most infuriating of all, one cell, instead of being occupied by 15 or 20, contains just one person: Nexhmije Hoxha, widow of the despot Enver Hoxha, still acting like an arrogant aristocrat, refusing to answer the film crew's questions and boasting of her service to her country.

Even the Prix Italia may not be able to show us anything in the way of television material to compare with the work of Masaccio or Corelli, yet the programmes screened at this festival cannot be dismissed as third rate or childish. On the contrary: the 70 or so programmes on view here suggested that there is as much serious, adult and demanding television being made today as there has ever been. The programmes brought together in Turin suggested that television is doing as good a job as any mass medium, probably better, in offering the citizens of today's world the means to see, and to a large extent understand, what is going on. Better still, the general standard in this year's festival was as high and arguably higher than at any time in the last 20 years.

We should thank the Italians (who, year after year, stoically take none of the top prizes from this event) for showing yet again what television at its best can be, and resolve to be more selective in our viewing.

South Bank music

Bruckner and Mahler

One of those eternal pairings, like Wordsworth and Coleridge or Holmes and Watson, Bruckner and Mahler were featured on consecutive nights at the Royal Festival Hall, the sixth symphony of Bruckner on Sunday, the ninth of Mahler on Monday. The first was played by the London Philharmonic under Franz Welser-Möst as the opening concert of its new season. The atmosphere – and indeed the playing – spoke rather of a tired end to something rather than pastures new. The hall was half-empty, the orchestra's handling of Bruckner's difficult idiom dutiful, even tepid, rather than forward-springing or inspirational.

How indispensable it is for a Bruckner orchestra to believe in every note it plays – however repetitious the notes may be! Bruckner deals in great brute primordial lumps of sound – the polar opposite of Mahler's sinuous, chameleon irony – and the players must invest even the most naked and obvious-seeming gestures with a sort of reverential sparkle. This never happened on Sunday. One never had the sense that a musical universe was being created out of nothing. One got a sense that the players were bored and unimpressed.

True, there were a few fully achieved moments, carrying the weight of Brucknerian mystery: for instance, that ominously cold change of harmony (strings, low brass and low clarinet) at the end of the Adagio; or the brief upper-sting pizzicato figures which introduce the third movement Trio. But for all Welser-Möst's Brucknerian pedigree, there was a feeling of dispensability about this performance. His account of Messiaen's four symphonic meditations *L'Ascension*, an early (1933), pre-birdsong, very beautiful work, was, however, strong: the third movement toccata splendidly athletic in Messiaen's uniquely exultant fashion; the final movement's prayerful, peculiar string sonority bitingly realised. And it was a bold but wholly appropriate idea to preface Bruckner with music, albeit very different in character, by another composer who builds with mighty blocks of sound and builds to the glory of God.

Mahler's ninth symphony, like his tenth, but signally unlike his eighth, seems to mark a retreat from confidence in any such glory, the cold reality of death now seeming all. Certainly in the reading given by the NHK Symphony Orchestra, Tokyo – on a European tour under Jerusalem-born conductor Eliahu Inbal – it was the stark, pained, sardonic, unillusioned aspects of the work that were emphasised, by means of unyielding tempi and technically brilliant unsparing clarity of texture.

This Japanese orchestra is astonishing skilful at rendering the score's fine detail and fiercely singing out its complexly interwoven strands of near-perpetual polyphony. In the first movement – perhaps Mahler's most extraordinary – I found this forceful precision exhilarating, and objected only to an all too blazingly prominent first trumpet. But increasingly I came to miss the essential Mahlerian qualities of tonal refinement and rubato phrasing. There was something literal-minded about the brilliant skill. In avoiding sentimentality, Inbal sacrificed inwardness. The Rondo-Burleske third movement's touching pre-echo of the slow finale was indulged with but the barest lyricism; and the opening of the great Adagio, though intoned by a mightily impressive body of strings, somehow failed to convey genuine weight of feeling. It studiously avoided warmth.

Paul Driver

Opera/**David Murray**

Goodness triumphant in 'La Cenerentola'

La bontà in trionfo was Ferretti's subtitle for *La Cenerentola*, Rossini's Cinderella opera. That was a bit of lily-gilding: never has a happy ending been so earnestly, repetitiously signalled, from the start of the opera. (Perhaps Ferretti was a little anxious; though *La Cenerentola* is a comic masterpiece, it has its cruel moments.) At Covent Garden on Monday, nonetheless, goodness triumphed so wonderfully – in the person of Olga Borodina – that the subtitle seemed to tell the plain truth.

Miss Borodina's Angelina looks placid and artless, a sleepy pussycat. From about the second line of her favourite song, however, as the voice swung down into its rich low register, everyone suddenly realised that we were to get something extraordinary. There is translucent warmth and depth in her mezzo, but also an uncanny immediacy; one feels personally addressed. Though it is a big voice, with power to spare, it always retains that quality of modest, intimate confession.

She went from strength to strength. The first passages of coloratura found her not quite focussed, but once adjusted she soared away, dazzling more with every number. At the close, in the great "Non più mesta", fluid art vied gloriously with radiant feeling. Somehow the poignant simplicity remained intact, as if her Angelina has never expected anything, is amazed and delighted by what happens, but takes it all in her stride.

This is a performance to treasure. Everybody else in this *Cenerentola* is well up to form, and more. Michael Hampe's production, elegant, unfussy and perfectly sympathetic, has again been revived by David Massarella; since half the cast are new to it, one should credit him with some degree of creative input.

The nasty step-sisters, for example – Jennifer Rhys-Davies and Christine Botes, both new – inhabit their roles with bright comic malevolence, excellently mimed but staying well within credible bounds (and singing very well). The new Alcindoro, that curious Christian mystic who replaces the fairy godmother, is Alastair Miles, who has at least three-quarters of the appropriate gravitas and a fine, fervent uplift. Don Magnifico, the stepfather so disgracefully awful that he can only be funny, is Simone Alaimo, whose Sicilian extravagance is probably all his own, ebullient and stylish.

Returning from earlier casts we have Raúl Giménez as the fairytale Prince Don Ramiro, and François Le Roux as his fly valet Dandini. Gimenez is a long-standing Rossinian stalwart; here he was in particularly affecting voice, which in his case is like very dry sherry with a strong kick. Last time round – with the enchanting Anne Sofie von Otter – I do not remember such a magical rapport between him and Angelina in their first duet, each musing raptly to himself or herself. This time it drew tears.

Le Roux is again so personable and clever that a little vocal fudging goes unnoticed. The new conductor is Bruno Campanella, who offers a rare combination of light, nervy touch and a rigorous way with quick tempi: quite right in Rossini, though the singers had to scramble a bit. I wouldn't have missed it for anything.

A performance to treasure: Olga Borodina as Angelina

In repertory at the Royal Opera to October 15.

Theatre/**Antony Thorncroft**

Beautiful Thing

The wave of gay drama currently breaking over London rolls back for the third time *Beautiful Thing*, Jonathan Harvey's soft hearted play about gay awakening on a south London council estate. After rapturous acclaim at the Bush, then the Donmar, it comes close to hitting the rocks at the Duke of York's, a colder, less intimate, arena.

The problem is not the play. Harvey has written a light hearted slice of cockney life with enough carefully set up one-liners to grace a TV sitcom. The timing is the trouble.

If only Jamie (Zubin Varla) and Ste (Richard Dormer), the teenagers who find bunking up together a mind blowing experience, could venture to Hampstead to see *Poor Superman*, where the realities of the gay scene for 30-pluses are laid bare, their joy might be dented. This is feel-good theatre for gays, who roar with approval at an ending happy enough to bring a tear to the eye of a Mills & Boon reader.

Harvey has a sharp ear for working class dialogue. "He ain't seen life; he hasn't even had a holiday", snaps hard pressed mum Sandra trying to warn Jamie off. "I hate old people" says Leah, a desperate drop out. "It's alright if they're dead." As the tower block neighbours gently spar and swap aphorisms we are given an unusually warm picture of inner city life, made even more glowing by Johanna Town's lighting. Sandra may be an abandoned single mum; Ste the beaten up son of a drunken father, but they are as chipper as Tommy Trinder in a war time movie. As the velvet drapes fall at the end of the first act and Jamie and Ste exchange their first tentative kiss we enjoy the cosy escapist romance that delighted audiences in the 1950s when Ste would have been Stephanie.

There is nothing to shock in *Beautiful Thing* and Harvey shows dramatic insight in making Sandra's lover Tony (Rhys Ifans), the only genuinely decent person, the fall guy. As a tentative middle-class hippie, he is heartily despised by Londoners leading real lives.

Varla and Dormer seem too old for their roles but Diane Parish as Leah is a marvellously drawn self-victim, and Amelda Brown manages to turn Sandra into a budding Mother Courage, with a sense of humour. Hettie Macdonald directs deftly and anyone in favour of positive discrimination should enjoy it.

INTERNATIONAL ARTS GUIDE

■ BONN

Oper The next performances are Les Contes d'Hoffmann on Sat and Antonio Carlos Gomes' opera Il guarany on Sun. There are no performances next week: the company is preparing Jürgen Rose's new production of La traviata, which opens on Oct 9 (0228-773667)

■ COLOGNE

Opernhaus Tomorrow, Sat, next Tues and Sun: James Conlon conducts Willy Decker's new production of Puccini's Trittico, with cast including Barbara Daniels, Jean-Philippe Lafont and Jake Gardner. Fri, Mon: Der fliegende Holländer with Wolfgang Schöne and Lisbeth Balslev. Sun: Lortzing's Der Wildschütz (0221-221 8400)
Philharmonie Sat, Sun: Cologne Chamber Orchestra plays Handel's Water Music. Mon morning: Rudolf Barshai conducts Cologne Radio Symphony Orchestra in works by Musorgsky and Brahms. Mon evening: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra in Brahms and Allan Pettersson, with violin soloist Frank Peter Zimmermann. Tues: Chris Barber Jazz Band. Next Thurs: Murray Perahia (0221-2801)
Halle Kalk Sat: first night of Günter Krämer's new production of King Lear (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight: Helgi Tomasson's production of Sleeping Beauty. Tomorrow, Sat, Mon: Peter Grimes. Fri, next Tues: Tosca. Sun: Contemporary Choreography for Contemporary Music. Repertory also includes Peter Schaufuss' production of La Sylphide and John Cranko's Onegin. A new production of Prokofiev's Love for Three Oranges, directed by Flemming Flindt, opens on Oct 7 (tel 3314 1002 fax 3312 3692)

■ DRESDEN

Semperoper Tonight: new ballet mixed bill. Tomorrow: chamber music evening with members of Dresden Staatskapelle. Fri: La boheme. Sat: Der Rosenkavalier. Sun: first night of new production of Un ballo in maschera, staged by Peter Konwitschny and conducted by Ingo Metzmacher, with cast headed by Mario Malagnini and Luana DeVol. Mon: The Cunning Little Vixen (0351-484 2323)
Kulturpalast Sat, Sun: Krzysztof Penderecki conducts Dresden Philharmonic Orchestra and Chorus in an all-Penderecki programme (0351-486 6666)

■ FRANKFURT

Alte Oper George Benjamin conducts Ensemble Modern in tonight's Messiaen programme. Anne Sophie Mutter gives a violin recital tomorrow. Jazz stars Linda Hopkins, Doc Cheatham and George Kelly appear with Barrelhouse Jazzband on Sat. Alfred Brendel plays Beethoven piano sonatas on Mon. Marek Janowski conducts Mahler's Eighth Symphony on Mon late afternoon and Tues evening. These are the final events of the Frankfurt Festival (069-134 0400)
Jahrhunderthalle Hoechst Libor Pesek conducts the Royal Liverpool Philharmonic Orchestra next Wed in works by James MacMillan, Walton and Strauss (069-360 1240)
Oper The first production of the 1994-5 season is Wagner's Ring, conducted by Sylvain Cambreling and staged by Herbert Wernicke. The first of three cycles opens on Oct 11 (069-236061)

■ GOTHENBURG

Konserthuset Petter Sundkvist conducts Gothenburg Symphony Orchestra tonight and tomorrow in works by Swedish composer Sven-Eric Johanson (031-167000)
Operan Gothenburg's new harbourside opera house opens on Fri with the first of three inaugural gala performances. The first opera production is Karl-Birger Blomdahl's Aniara (1959), opening Oct 15. The first ballet will be Andrew Storer's production of Prokofiev's Romeo and Juliet, opening Oct 21 (031-131300)

■ HAMBURG

Staatsoper Tonight: La boheme. Tomorrow: Henze's ballet Undine, choreography by John Neumeier. Fri: Die Zauberflöte. Sat, Mon: ballets by Bühl, Neumeier and Brown. Sun: Il trovatore with Michele Crider and Richard Margison (040-351721)
Musikhalle Fri: Anne Sophie Mutter violin recital. Oct 5: Mitsuko Uchida. Oct 7: Royal Liverpool Philharmonic Orchestra (040-354414)
Deutsches Schauspielhaus Sat: the new season opens with a revival of Kleist's Das Käthchen von Heilbronn. Oct 7: new production of Lessing's Nathan the Wise and Marlowe's The Jew of Malta, in a combined five-act sequence directed by Anselm Weber (040-248713)

■ HELSINKI

Finnish National Opera Tonight: Glass Sonata, choreography by Jorma Uotinen, music by Sibelius. Sun afternoon: new production of Joonas Kokkonen's 1975 opera The Last Temptations. Mon: first of seven guest performances by Royal Swedish Opera (0-4030 2211)

■ LEIPZIG

Opernhaus Tonight: choreographies by Uwe Scholz. Tomorrow: La boheme. Fri: Der fliegende Holländer. Sun: Stravinsky ballets choreographed by Uwe Scholz. Mon: Don Giovanni (0341-291036)
Gewandhaus Tomorrow, Fri: Paavo Berglund conducts Gewandhaus Orchestra in works by Haydn, Sibelius and Shostakovich. Sat: Mahler's Eighth Symphony (0341-713 2280)

■ LYON

Dmitri Hvorostovsky is baritone soloist with the Orchestra of the Lyon Opera next Wed. The Opera Ballet gives six performances of Angelin Preljocaj's production of Prokofiev's Romeo and Juliette starting on Oct 11, and the first new production of the season is Berlioz's La Damnation de Faust, starting Oct 16 (tel 7200 4545 fax 7200 4546)

■ MUNICH

THEATRE
Reithalle Tonight, tomorrow, Fri, Sat, Sun: Peter Stein's Moscow production of the Oresteia, performed in Russian with German surtitles (089-225754)
Prinzregententheater Tonight, tomorrow: Heiner Müller's theatre piece Anatonmy of Titus, Fall of Rome. Fri: an evening with Otto Schenk (089-2916 1414)
MUSIC/DANCE
Gasteig Tonight: Sergiu Celibidache conducts Munich Philharmonic Orchestra in works by Ravel and Debussy (089-4809 8614)
Staatsoper Tomorrow, Sun: Bavarian State Ballet in John Neumeier's choreography of A Midsummer Night's Dream. Fri, next Tues and Sat: Zubin Mehta/Heinz Fricke conducts David Alden's production of Tannhäuser, with cast headed by René Kollo, Bernd Weikl, Nadine Secunde and Marilyn Schmiege. Sat, Mon: Nabucco with Renato Bruson, Dennis O'Neill and Julia Varady (089-221316)
Herkulessaal der Residenz Fri: Carlo Bergonzi farewell song recital (089-299901)

■ STOCKHOLM

● Stockholm is hosting this year's World Music Days, organised by the International Society of Contemporary Music (Oct 1-8). The festival will present a wide scope of contemporary music from 40 countries, most of it selected by an international jury. There will also be a chance to hear works by some of the composers who have featured strongly in the ISCM's 72-year history, including Varese, Ginastera, Webern and Ruggles. Concerts take place in a variety of venues around Stockholm, and feature several of Sweden's leading ensembles. Festival co-ordination and information: Swedish National Concert Institute (Svenska Rikskonserter), PO Box 1225, S-11182 Stockholm (tel 08-791 4600 fax 08-676 0018)
● Niklas Willen conducts Royal Stockholm Philharmonic Orchestra and Chorus tonight and tomorrow at the Konserthuset in Handel's Israel in Egypt (08-102110)
● The Royal Opera has Aida tonight, followed on Sat afternoon, next Mon and Tues by the Frankfurt Ballet in guest performances of William Forsythe's Artifact (tickets 08-248240 information 08-203515)

■ STRASBOURG

Théâtre Municipal Ballet du Rhin opens the season on Fri with a retrospective of early 20th century choreographer Kurt Jooss. Repeated Oct 1, 2, 4 and 5. The first opera production is Salome, opening Oct 12 (8875 4823)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

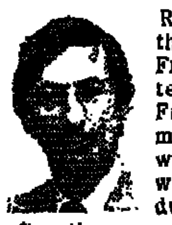
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

Vichy casts a shadow

France still refuses to accept shared responsibility for its past



Revelations that President François Mitterrand of France had murky links with the right wing before, during and after the second world war have sent the French political class into a buzz of shock and horror. Socialists are dismayed that this latest blow to the reputation of their one-time leader will further contaminate their own damaged credibility. But not even his rightwing critics have crowed too loudly, for no political clan is quite comfortable when the Vichy era is under discussion.

That is the point of this controversy: it is not what it reveals about the dubious political debut of François Mitterrand, but what it reveals about the feelings of the French today towards that inglorious chapter of their history. They still have difficulty facing up to what happened between the fall of France in 1940 and the liberation of Paris in 1944, when the Vichy government of Marshal Pétain submitted to the Nazi victors.

Every so often old wounds are reopened by a new investigation, and each time the French react with consternation, as if they had never heard of that traumatic era. Then the shock dies away, and the unacceptable past is again buried.

So it is with the new book by Pierre Péan, *Une Jeunesse Française**. It provides the fullest account yet of Mitterrand's early career, with many previously unpublished details. But most of the story has long been known: that Mitterrand came from a conservative, bourgeois background, and started his political career far to the right of centre; that before joining the Resistance he worked for the Pétain government, and was awarded the top Vichy decoration, the "Francisque"; and that he remained right of centre after the war.

What is most disturbing about the book is not mainly what it reveals about Mitterrand *then*, but what it reveals about Mitterrand *now*. Péan clears him of any anti-semitism under Vichy; but it is dismaying that today Mitterrand should still be pretending that he did not then know about Vichy's anti-semitic laws, even though they led to the deportation of thousands of Jews to German extermination camps.

Given his bourgeois, provincial background in the unstable years before the war, it is not surprising that Mitterrand should have flirted as a young man with the far right; but the fact that his friends continued to include people from the far right, not just after the war but into the 1980s, will reinforce his opponents' conviction that Mitterrand has few political principles.

Perhaps the bottom line is that the president refuses to accept France's historical and political responsibility for the debacle of 1940-44. As far as he is concerned, Vichy was a different regime, and nothing to do with the republic – in fact, nothing to do with us today. It is as if Vichy were an accident, without organic origins in French political history, for which no one was responsible.

The struggles between rival concepts of political legitimacy could rage on

It is in such terms that the French have repeatedly refused to accept shared responsibility for their history. Throughout the political instability of the 19th century, each succeeding regime was permanently under attack in terms of its essential legitimacy; and the rightwing tradition which rejected the legitimacy of republican democracy eventually erupted in the anti-semitism of the Dreyfus case in 1894, when the Jewish army officer was falsely accused of spying for Germany.

The Pétain regime was no doubt exceptional; it was not an accident. Like the nationalism of the late 19th century, it was a reaction to humiliating defeat by the Germans. The French have since tried to exorcise it as illegitimate; but unless they find some way of accepting collective responsibility for it, the struggles between rival concepts of political legitimacy will rage on, threatening instability.

Throughout the 1950s, de Gaulle denounced the illegitimacy of the Fourth Republic, of which Mitterrand was a leading figure; throughout the 1960s, Mitterrand denounced the illegitimacy of de Gaulle and the Fifth Republic; and throughout the past 14 years the Gaullists have denounced the illegitimacy of President Mitterrand.

This process is gathering momentum once more, in the run-up to next spring's presidential election. The conservatives ought to win that election easily. Yet they are split on ancestrally visceral grounds, and could throw it all away.

If they were to unite behind the candidacy of Prime Minister Edouard Balladur, he would surely win. But it seems more likely that there will be up to six rival candidates.

Personal ambition is not the only factor. Jacques Chirac, leader of the Gaullist party, has been trying and failing to be president since 1981, and he will not give way now. But the undertow of the Chirac-Balladur struggle is political legitimacy. Chirac has as few political principles as anyone; but his claim to legitimacy and the loyalty of his party is that he is an inheritor of genuine Gaullism, while Balladur is merely a modernising conservative.

In 1988, Chirac conducted his presidential campaign as farce. He frenziedly paced up and down, calling on President Mitterrand to come out and fight. Naturally, Mitterrand waited until Chirac had worn himself out, and then took him to the cleaners.

Today Chirac is again frenziedly pacing up and down, calling for the election to begin; once again he is likely to wear himself out – and split the Gaullist party in two.

This intra-conservative struggle should be interesting and possibly entertaining. We should remember that its historic roots pass through the unexorcised trauma of Vichy.

**Une Jeunesse Française: François Mitterrand 1934-1947, by Pierre Péan, Fayard, FFr160*

With production of executive jets set to end in the UK, **Paul Betts** examines the industry's problems

Weighed down by high-flying image

Exactly 30 years ago, the Hawker Siddeley company delivered its new HS 125 aircraft to its first customer. A small executive jet, designed, the company said, "to meet the demands of business houses for the highest standards of speed and comfort", it became the biggest selling turbine-powered civil aircraft ever built in the UK.

This month the new American owner of the Hawker family of executive jets, Raytheon, announced it was moving production of the aircraft from the UK to Wichita, Kansas.

For Britain, once a leader in the corporate jet field, Raytheon's move marks the end of a chapter in its aircraft industry, leaving it without a small jet manufacturing facility. "The UK's biggest postwar civil aircraft success story has just become one of the country's biggest-ever aeronautical embarrassments," said Flight International, the specialist aviation magazine, last week.

However, the corporate jet industry is in trouble everywhere, not just in the UK. Against the backdrop of a recession and heavy industrial restructuring, it has an image problem: businessmen, and shareholders, see executive jets as a toy, rather than a tool.

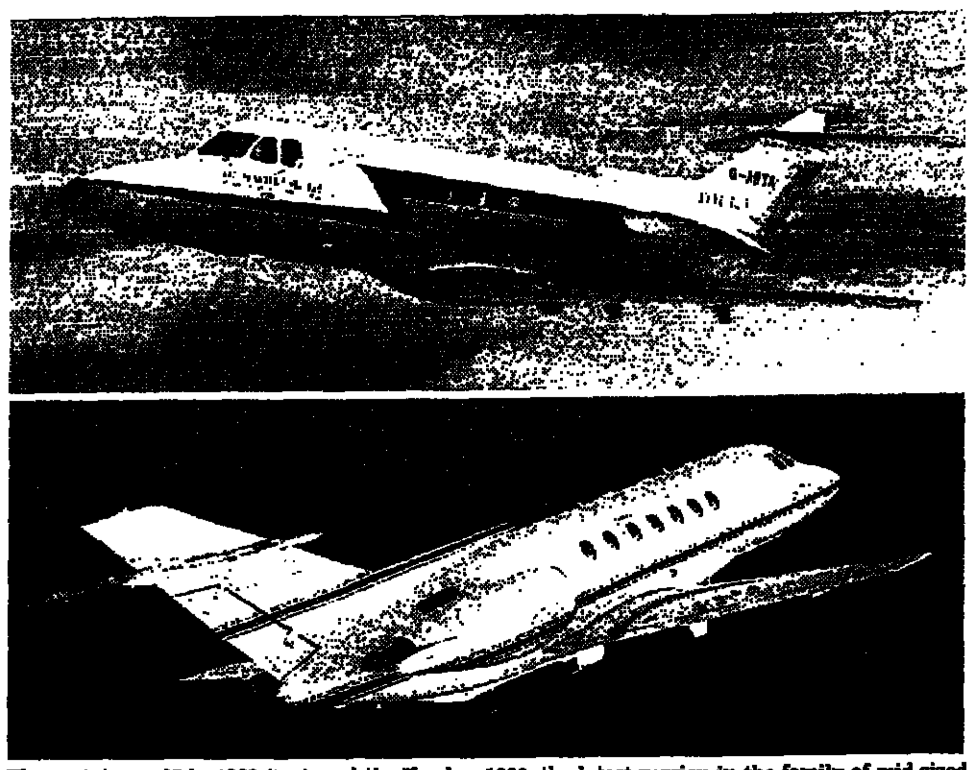
"The business jet has gone from being a symbol of the dynamic, fast-moving, entrepreneurial corporation to one of corporate privilege and excess," said Mr Brian Barents, president of Learjet, the US manufacturer, which is now part of the Canadian Bombardier industrial group.

This image of self-indulgence has not only deterred company boards from placing orders for new aircraft, but also prompted governments to target business jets as a source of additional tax revenues.

In some countries, such as Italy and Venezuela, companies have been discouraged by high taxation from maintaining their own flight departments. In the UK, executive jet users have found it increasingly difficult to persuade tax inspectors that owning, leasing or flying a business aircraft is a legitimate business expense.

In Japan, tight restrictions on private jet ownership have kept the lid on the market. There are only about 90 privately owned business jets in the country, compared with a current fleet of 260 in the UK, 364 in Germany, 492 in France and more than 4,000 in the US.

Another factor that has reduced demand for corporate jets is mergers between big customers. "When two big companies get together, they also merge their separate flying departments into one," explained a manufacturer.



The prototype 125 in 1962 (top), and the Hawker 1000, the latest version in the family of mid-sized jets: the aircraft has become in all its versions the UK's biggest selling turbine-powered civil jet

In addition, companies with large corporate flight departments tend to take longer to replace their aircraft, or switch to chartering as a more cost-effective form of business travel.

Mr Gary Hay, head of marketing of Cessna Aircraft, said he found it sobering to think that 95 per cent of all executive jet sales in the US involved existing operators. This has created a fiercely competitive market for the remaining 5 per cent of new business.

In these circumstances, the industry has been forced to step up the pace of a rationalisation. In the past 18 months, Textron of the US has absorbed Cessna Aircraft, and Bombardier has taken over Learjet.

This consolidation of the business aircraft industry has mirrored the broad restructuring in the world aerospace industry. The high cost of developing new products and the increasingly long lead time for new programmes to break even in a weak market have driven aircraft manufacturers to forge broad alliances, and partnerships to spread their risks and expand their international reach. It has also forced them to choose between the aerospace activities they could afford to maintain as competitive businesses and those they had to shed or find joint venture partners to run.

In the UK, the future of the jet manufacturing business has been in doubt since Raytheon acquired British Aerospace's Chester and Hatfield-based operations – where the venerable line of 125 business jets was developed and built. BAe could no longer rely on stretching the already long life of the 125. Rather than invest $1bn in developing a new business jet with more range and cabin comfort, BAe decided to sell the business.

At the time of the BAe sale, there appeared to be some signs of improvement in the market. But these were short lived. "Beginning in March, all manufacturers started to see a reduction in sales again," said Mr Roy Norris, president of Raytheon Corporate Jets.

"There is simply not enough viable business for seven or eight competing manufacturers," said one corporate jet marketing executive. "There is bound to be more consolidation, since there is probably room for only three or four manufacturers."

This is not a universally held view in the industry. Others believe that better marketing, rather than consolidation, is the way forward for the industry. "It is time to reinvent the whole idea of business aviation," Mr Barents said. "That process starts with ascertaining the needs of current business aircraft users and delivering quality products that provide exceptional value to the customer." In other words, producing better aircraft at lower operating and acquisition costs.

"Selling cost-effective transportation, as opposed to luxury, is the key to growth for this industry," explained another manufacturer, adding that many companies found it increasingly difficult to justify to their shareholders the expense of owning an executive jet.

One reason for scepticism over cost-effectiveness may be that executive jets tend to spend little time flying – unlike large aircraft in commercial airline use. In Europe, the average is about 15 to 20 minutes a day, or 300 hours a year, according to Mr Michael Riegel, managing director of a new UK-based venture called JetCo. The company is introducing in Europe a timeshare concept for corporate aviation, successfully developed in the US by New York-based Executive Jet Aviation.

Known as fractional ownership, the attraction for companies is it enables them to invest in a share of an executive jet and enjoy the benefits of corporate aviation at a fraction of the aircraft's price (anything from $1m to $30m) and at more predictable operating costs.

"A corporate aircraft is an extremely expensive asset with annual operating costs of $800,000 to $1m if you include fixed and variable costs as well as depreciation," explained Mr Riegel. "We think fractional ownership schemes should help stimulate again demand for business aviation."

All the main business aircraft manufacturers believe these new timeshare schemes will help boost future sales. But they do not expect them to provide the solution to the industry's overall malaise.

The US National Business Aircraft Association is now planning to intensify a public awareness campaign it launched last year with the slogan "No plane, no gain", in an effort to improve the general image of executive jets.

But no recovery is likely before 1996, manufacturers predict, and when it does occur it will be slow, especially in the US. "This has traditionally been a highly cyclical business, but the peaks have steadily become smaller and the troughs deeper," said Mr Riegel.

LETTERS TO THE EDITOR

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Spotlight on the World Bank board

From Dr Michael Irwin.

Sir, Martin Wolf ("Taming the beast of H Street", September 26) was right to question the effectiveness of the World Bank's executive board "in supervising the bank's management".

When I was the director of the bank's health services department in 1989-90, the board was generally regarded contemptuously by its senior staff. For example, I remember being at an internal seminar in May 1989 when Robert Picciotto, then vice-president for corporate planning and budgeting, stated that often the "mushroom approach" was taken with the board – "keep it in the dark, and feed it garbage".

The World Bank's executive board is in an unusual position. With the exception of its American director, all its members receive generous salaries and benefits direct from the World Bank; and these are always adjusted according to rises in the bank staff emoluments. Is there any incentive to control staff salaries when one's own income would be affected?

Michael Irwin,
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Exclusion of Russia from Nato would be gross provocation

From Mr Peter Oppenheimer.

Sir, Boris Fyodorov deserves support for his rebuttal (Letters, September 20) of German defence minister Volker Ruhe's indefensible views on Nato membership. An extension of Nato up to, but not beyond, the borders of Russia would be a gross provocation to Russia and inimical to European security. It is true that, at an earlier stage, European security survived an analogous provocation in the shape of West Germany's rearmament and entry into Nato's military structure. But that change did not involve a shift of Nato's eastern frontier.

The logic of Ruhe's position is that the collapse of communism and the dismantling of the Warsaw Pact is a pure external retreat by Russia, with no concomitant internal transformation of its values and ambitions. Some of us, to the contrary, are impressed by signs of fundamental change in Russia's political priorities. In particular, the country has shown itself able to accomplish a significant degree of transition from authoritarianism to democracy by its own internal volition. That is more than can be said for Germany, at least in this century.

Peter Oppenheimer,
Christ Church,
Oxford OX1 1DP

Small step in the right direction for pensions

From Mr J A Livesey.

Sir, In arguing that the proposed new pensions solvency requirement "will at best be useless", Mr H R Wynne-Griffith (Letters, September 24/25) points out that it is impossible for a company in dire financial straits to pay a substantial cash injection into a pension fund.

However, a pension fund insolvency is not necessarily a sudden phenomenon, and the aim of the proposed solvency standard is to ensure that an ongoing fund remains continually solvent. Members' benefits are then at least partially protected in the event of the sponsoring employer encountering dire financial straits.

In the case of Swan Hunter, we are told that the pension fund is nearly 100 per cent fully funded on the new solvency requirement ("Swan Hunter pension example", September 24/25). Swan Hunter employees reading this alongside reports that they stand to lose up to 40 per cent of their pensions will doubtless view the proposed new solvency standard as only a small step in the right direction.

J A Livesey,
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Hanson legacy

From Mr Andrew Arends.

Sir, Michael Cassell's review of the biography of Lord Hanson will clearly open the debate as to the nature of Hanson's legacy to the British industrial scene (Book review: "A deal too far for king of capitalism", September 22).

Is it not part of that legacy that, to date, Hanson protégés have created from scratch three highly successful and well-regarded public companies (Tomkins, Wassall, and TT Group) with a combined market capitalisation of more than £3.25bn?

Is that not a testimony to the spirit of entrepreneurial capitalism that James Hanson and Gordon White have for the past 30 years so brilliantly represented?

Andrew Arends,
110 Park Street,
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Strength at Saint Louis

From Mr Michel Roquepio.

Sir, In the Lex column article on Arjo Wiggins Appleton (September 22) reference was made to "the financial weakness of Saint Louis" and the piece questioned whether that is holding back AWA's industrial progress.

Your question is irrelevant because it is based on a false premise. Far from being financially weak, Saint Louis has one of the strongest balance sheets in French industry as you yourself recognised only three weeks ago.

We have gone on record recently to the effect that we have an aggressive acquisition strategy and a war chest of FFr7bn to fund it.

Michel Roquepio,
financial director,
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France

Improved university standards

From Professor Peter Watson.

Sir, The suggestion in your report, "Universities want watchdog for standards" (September 26), that there should be a national body to ensure standards of university teaching and learning are maintained is a very curious one.

The vice-chancellors who are apparently calling for a new national body are the very individuals who presumably are responsible for the standards of their institutions. Second, industry learned long ago that the way to improve quality or standards is to make individuals responsible for their own quality and not to impose. Third, the chances of achieving real consistency of standards across universities would be bureaucratic and expensive unless, heaven forbid, universities moved towards a system of national examinations on the model of "A" levels.

Surely the sensible route is to reinforce universities' sense of their own responsibility for standards and quality. This would be achieved by ensuring that universities were funded on the basis of the actual numbers of students taught. Then, as in the commercial world, they would have the inducement that if they failed to satisfy their customers they would not only lose them, but they would also lose revenue.

Peter Watson,
executive pro-vice-chancellor,
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Buckingham MK18 1EG

Satirical?

From Mr Andrew Blackman.

Sir, Was the reference to "Aerostructures Humble" (Lex, September 24/25), the troubled aircraft components manufacturer, merely a Freudian slip, or was it an admirable attempt to inject some satire into the Financial Times? As they say in Private Eye, I think we should be told.

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Wednesday September 28 1994

Labour's new economics

"It is time," Mr Tony Blair said yesterday at the UK Labour party's conference on new policies for a global economy, "*for a rebirth of* the intellectual basis of left-of-centre economic thinking." It is by this standard that his thoughts and those of Gordon Brown, the shadow chancellor, should be judged. What the party needs is *not a long list of policies*, but an intellectual framework on which to hang them. That it has. To beat "the crude and wasteful individualism" of the Conservatives, the Labour party is embracing aspects of the social market economy.

Since the Conservatives have hardly found the key to an economic nirvana, they are vulnerable to a party that offers seemingly relevant ideas. In elucidating the vision, Mr Brown states that "new Labour sees modern economic intervention not as a controlling or directing force, … but as working in partnership with people to make the market economy truly dynamic".

The shadow chancellor has embraced theories that "atomised agents cannot – acting alone, without active government as a partner – deliver the kinds of investments that are the true source of dynamism in the modern market economy". His aim is *to promote "long-term relations* and commitments", referring specifically to "the importance of respecting the implicit contracts between stakeholders if companies and people are to invest long-term".

The Labour party's vision means that there is now a clear choice between two competing approaches to the market economy. It has also jettisoned much *cumbersome baggage. Gone* is the commitment to demand expansion as a remedy for unemployment. Gone is the simplistic commitment to taxing and spending. In their place come recognition of the constraints imposed by the global economy and a willingness to build on the improvements in the macro-economic policy framework of the past two years.

Yet the new model Labour party is not home free. It is far from clear, for example, whether it is *feasible to introduce features of* the stakeholder capitalism of Germany and Japan into the very different circumstances of the UK. It is also not obvious how helpful success would be, since the continental European version is showing marked symptoms of the sicknesses that Labour identifies in the UK: mass unemployment, sluggish economic growth and excessive public spending on "rescue", rather than "renewal".

To turn the new vision into a credible set of policies for a modern, market-oriented economy, Labour has still to travel a long way. But the distance it has gone is remarkable. Listen to the shadow chancellor announcing *that "the old Labour language* – tax, spend-and-borrow, nationalisation, state-planning, isolationism, full-time jobs for life for men while women stay at home – are as inappropriate to the demands of the future as they were to the needs of the past". This is a new Labour. How will the party react?

Yeltsin's panache

With characteristic panache, Russia's President Boris Yeltsin has recaptured the initiative in international affairs with a bold set of proposals for disarmament and security. In his UN speech on Monday, he called for strategic disarmament to go beyond the Start-2 treaty, and threw his weight behind calls for an indefinite extension of the Non-Proliferation Treaty. He proposed a new *system of guarantees for the security* of non-nuclear powers.

Without giving many details, he called for a fresh approach to regional security, and a new regime of controls for the international arms market. He wants the five nuclear powers to conclude a treaty that would stop the production of fissile materials for military use, and ban the reuse of such materials for making bombs.

Mr Yeltsin is, in effect, hinting *to the US that the world might* take a few steps back towards the bipolar system of cold-war times. During the US-Soviet stand-off, the superpowers – and to a much lesser extent the UK, France and China – set limits to the behaviour, and above all the arsenals, of countries within their own sphere of influence. Even at the height of the cold war, Washington and Moscow co-operated to keep nuclear arms out of rogue hands. *That made for a more predictable* world; the idea of returning to such simplicity is tempting.

Sadly, the certainties of cold-war terror are impossible to recreate. Nothing will easily change the fact that a dozen rising powers are either on the brink of acquiring a nuclear capacity or have one already.

But if Russia is ready to play a full part in ensuring that nuclear proliferation goes no further, that can only be welcome. Up to now, Russia has taken a softer line than the west with states such as North Korea and Iran.

It would also be hard to disagree with the argument that even after *Start-2, which leaves the US and* Russia with 3,500 nuclear warheads each, there will be room for further negotiated cuts. But Russia's progress towards fulfilling its existing arms control obligations will need to be much faster before its proposals for new reductions can be embraced. So far, Russia has been much slower than the US in implementing the post-cold war arms accords. This reflects conservatism on the Russian side, and *also some delays in the disbursement* of US funds which were supposed to finance the decommissioning of Soviet arms – including the money promised last January to Ukraine.

Russia has been reluctant to let US experts near the heart of its nuclear programme, although it has accepted offers of US help to remove warheads from the other ex-Soviet republics. Many Russian arms experts view Start-2 as a bad *treaty which locks in US strength.* But if Russia's ambition to be co-sponsor of another world order is *to be taken seriously*, the least that other countries can expect is that Moscow should abide by existing promises.

Don't panic

No infectious disease is more evocative of past cataclysms than plague. The historical resonance of the Black Death, which wiped out one quarter of the people living in Europe in the mid-14th century, is still strong enough to give a *frisson* of alarm in the western *world at the news of two* outbreaks of plague in India. Some Indians have more recent memories of plague, as epidemics continued there until antibiotics became widely available in the 1950s. So the local panic and mass evacuation of the city of Surat is understandable.

However, in this case, the customary advice issued by the authorities whenever there is an alarming outbreak of disease – DON'T PANIC – really is justified. If tetracycline antibiotics are administered as soon as symptoms appear, they will cure both forms of plague: bubonic (transmitted by fleas and rodents) and pneumonic (transmitted directly through air*borne particles* from the patient's lungs). Fortunately, the *Yersinia pestis* bacteria that cause the disease have not developed significant antibiotic resistance.

The most important plague control policy for India is to ensure that adequate stocks of antibiotics are available to administer to anyone showing possible symptoms. That means having enough nurses, pharmacists and doctors – who must have been vaccinated against plague – on *hand to diag*nose the disease and dispense drugs. It is important not to give antibiotics to the whole population as a preventative measure, because that might encourage drug-resistant strains of bacteria to evolve.

At the same time, the Indian authorities are right to take robust measures to stop people spreading infection by fleeing from plague-affected areas. The traditional policy of isolation can help to contain the disease.

Outside India, there are disconcerting signs of overreaction to the outbreaks, with several countries introducing heavy-handed airport *screening of travellers* arriving from any Indian destination. Although it is sensible to make sure that all passengers from India are made aware of possible plague symptoms – and warned to go straight to a doctor if they feel anything wrong – individual medical checks are not only a waste of time and resources but also create unnecessary worry.

Conversely people planning to travel to India, whether on business or for tourism, should not be scared away, unless they were thinking of visiting the places directly affected by plague.

Many other germs pose a far more serious and immediate threat to health in India and elsewhere in the world: cholera, dysentery, tuberculosis and typhoid, for example. The trouble is that their names do not evoke quite the same dread as the plague. The world must remain on guard *against the growing threat of new* and re-emerging infections, without reacting irrationally to ancient fears.

A consuming interest in China

Big manufacturers of branded goods are fighting over a potential market of 1.2bn people, says **Roderick Oram**

"We're going to paint Shanghai red," enthuses a gung-ho *Unilever executive*, standing beside a small back-street kiosk covered in red flags advertising the Anglo-Dutch group's Omo detergent.

As the global soap war reaches China's biggest city, he is battling head to head with the Ariel and Tide brands of his global rival, Procter & Gamble of the US. The paler Ariel flags, first raised only a fortnight ago, flutter above a neighbouring store.

Fighting for flag and shelf space store by store across Shanghai, Unilever and Procter & Gamble both want to win a dominant position in this important city.

Their ultimate goal, however, is the country at large, the biggest virgin *territory yet to fall to the mak*ers of internationally branded consumer goods. Both are pouring in money and people. Unilever alone plans to invest $100m (£64m) a year for the next five years to lift its Chinese sales from $200m this year to $1.5bn by the end of the decade.

"China's top of the list" of Unilever's target emerging economies, says Mr Morris Tabaksblat, the group's Dutch co-chairman. Its size and underdevelopment are "the *great attraction to all branders like* us", he says.

Other companies investing heavily in recent years to plant their brands include Coca-Cola and PepsiCo in soft drinks, Fosters and Miller (part of Philip Morris) in beer, McDonald's and Kentucky Fried Chicken (part of PepsiCo) in fast foods, United Biscuits and CPC in foods.

But only the three global giants – Nestlé of Switzerland, Procter & Gamble and Unilever – are likely to have the financial and human resources, marketing and distribution skills to put a broad portfolio of products into national distribution. For the companies themselves, success in China is an important leg in *the global race for dominance.*

Since China opened its doors to foreign investment in 1979, international companies have gazed in awe at the potential market of 1.2bn people. It was not until the late 1980s, however, that they were able to form their first joint ventures.

For the big three consumer goods producers, the wait has proved worthwhile. It gave time for China to tackle rural, urban and then financial reform. The resulting *rapid economic growth created a* relatively affluent urban population, eager and able to pay much more for Unilever's Magnum ice cream bars, Nestlé's powdered milk and Procter & Gamble's shampoos than for inferior local brands.

Money can also be made from less wealthy consumers. Unilever has a joint venture with the largest toothpaste manufacturer in the world, a government-owned Shanghai company. The venture, which already produces 550m tubes of toothpaste a year, has the biggest Chinese brand, *Zhongua, with a 16 per cent market* share. "We believe we can reach 300m urban consumers plus another 300m rural consumers who have access to urban distribution systems," says Mr Anton Lenstra, chairman of Unilever China.

The big three have set themselves challenging financial goals. Nestlé, for example, plans to build sales from SFr200m (£99m) a year now to SFr1bn within the next few years.

They are all working through joint ventures with local state-owned companies and taking larger majority stakes in each successive venture as their experience grows. Nestlé and Unilever, old hands in developing markets, sought out their Chinese partners on their own. Procter & Gamble, more at home in developed markets, broke into China with Hutchison Whampoa, the Hong Kong conglomerate.

Putting together some ventures can be a painstaking process. Nestlé negotiated for 13 years before signing its first deal – a powdered milk plant in Heilongjiang province (formerly Manchuria). It drew 27 villages into a milk gathering network, used Swiss experts to teach local agents animal husbandry and hygiene, and built chilling centres to collect milk brought in by bicycle, wheelbarrow and on foot. Production of milk powder and infant formula has risen from 316 tonnes in 1990 to 10,000 this year and capacity is being tripled.

All three international groups use both their global brands and local ones to reach a broader market. Unilever's concentrated Omo powder sells for 22 yuan (£1.63) a kilo*gramme, and regular Omo for* Yn17, while a leading regional brand acquired last week will sell for about Yn10, in line with other good domestic brands.

On ice cream, Unilever's prices range from under Yn1 for a Chinese brand ice lolly to Yn6 for its internationally known Magnum ice cream bar. A machine operator in one of Unilever's Shanghai plants would have to work for nearly an hour to earn the money to buy a Magnum.

"We are pricing our products to where the consumer is prepared to pay," a foreign businessman says.

One danger is competition from local producers, which will rapidly improve their own quality to challenge the multinationals. Foreigners argue, however, that the cost of making higher-standard products will force locals to charge prices similar to theirs. Furthermore, any competition, whether from locals or other foreigners, will broaden product ranges and raise consumer demand for western-quality goods.

Pricing is a relatively simple issue compared with the myriad organisational problems confronting foreign enterprises. Supplies of raw materials and packaging can be *inadequate, services such as televi*sion advertising production substandard, and distribution a nightmare.

It can take three weeks to deliver goods from Shanghai to Beijing – a distance of 1,000km – using the overburdened transport system. The government's highly ambitious rail, river and road development plans will take many years to complete. It will be another three years *or so before foreign freight compa*nies have built up their activities sufficiently to offer manufacturers effective cross-country distribution.

The nation's wholesaling and retailing system remains heavily dominated by the state-owned organisations. Entrepreneurs are still small scale and foreign retailers, new to China, tend to focus on upmarket consumers. Unilever cannot use, for example, the extensive state-owned toothpaste distribution *system to deliver soap powder into* small towns. Until both distribution tiers function more like a western system, multinationals' sales efforts will be curtailed.

One critical shortage, however, is of managerial staff. Multinationals have begun recruiting directly from universities, where educational standards are high, particularly in languages and sciences. The first business programmes have begun, but employers still find they must invest heavily in training to instil western business practices and attitudes.

At least one multinational admits the shortage of white-collar personnel restricts growth. "We couldn't grow any faster if we wanted, because of that one constraint," says a senior executive.

Workers on the factory floor also need training, especially where using high technology such as computer controls on state-of-the-art production equipment. On a more mundane level, Unilever has had to make spitting a sacking offence in its ice cream factory to curb the Chinese habit. So far nobody has fallen foul of the measure.

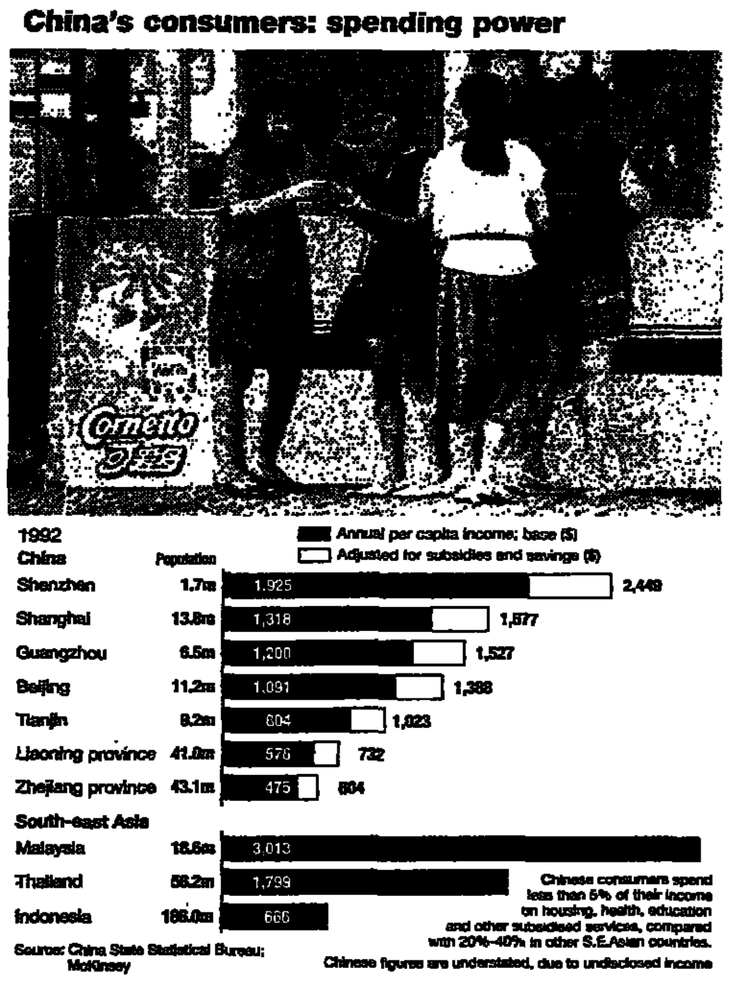
There *remain political and eco*nomic risks in doing business in China, including concerns over whether the Beijing government can keep economic development and provincial governments under control. Brisk inflation and devaluation could badly distort foreign investors' calculations of local and imported raw material costs and the selling price needed to cover them.

Multinationals that have a reputation for being cautious and calculating have set themselves ambitious growth targets. Shareholders will see little return over the medium term, as the money from profitable ventures is ploughed back into Chinese investments.

Setbacks are inevitable, given the *complexity of the task and the* strains on resources. But the big three have all decided over the last few years to commit themselves to heavy Chinese investments.

As one foreign businessman says: "If you wait until the risks in China are lower, then you will simply be too late."

China's consumers: spending power



After a long period in the doldrums, aluminium prices are soaring, writes **Kenneth Gooding**

Metal regains its shine

Road signs are going missing. So are bridge rails. They could be aluminium, and sharp price rises in the past six months have made aluminium worth stealing.

In a sharp turnaround, prompted by production cuts, rising demand and investment fund interest, aluminium prices have risen 54 per cent since last November.

Less than a year ago prices were *at an all-time low in real terms and* the industry was suffering. Producers worldwide were experiencing heavy financial losses. More than half the west's aluminium smelters were not even covering their day-to-day operating costs.

"It seemed that, if the end of the world wasn't going to happen tomorrow, it would certainly come next week," said Mr Lloyd O'Carroll, economist at Reynolds Metals of the US, the world's third largest aluminium group.

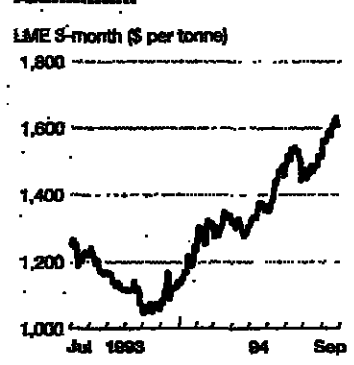
The industry's woes were not caused by the recession. Demand for aluminium has reached record levels every year since 1984, on the back of rapid growth in the use of cans and foil and steady growth in demand from the construction industry and transport manufacturing. This continued in Asia when most of the industrialised world moved into recession.

What took the industry by surprise was a massive rise in aluminium exports from Russia, following the collapse of the former Soviet Union in 1991. Russian aluminium *exports to the west tripled in 1991 to* 1m tonnes, and rose to 2m tonnes in both 1992 and 1993. In less than two years the supply of aluminium in the west had risen by 13 per cent.

Adjusting to the rise in Russian exports has taken three years. Producers delayed output cuts, initially because they lacked information on the volume of the new supply, and because they believed the Russian industry could not survive.

As a result, global stocks increased rapidly – aluminium held in London Metal Exchange-authorised warehouses across the world climbed to a record 2.5m tonnes, compared with a former average of about 150,000 tonnes. This glut inevitably pushed prices down. Last November the LME aluminium price had dropped to $1,036 a tonne, from $2,204 in 1989 just before the Russian export surge.

Aluminium



Source: Datastream

Since then, aluminium producers have announced plans to cut 1.25m tonnes of capacity, either permanently or temporarily.

They have been prompted by an unprecedented trade agreement between the European Union and five of the largest aluminium producing countries, Australia, Canada, Norway, Russia and the US.

The memorandum of understanding, signed in Brussels in February, identified a global oversupply of 1.5m-2m tonnes a year, and suggested cuts at that level for between 18 months and two years to restore the balance of supply and *demand. Russia agreed that if cuts* were made in the west, it would cut output, by 500,000 tonnes a year.

Although Russia and western producers are unlikely to deliver all the cuts that were hoped for, the deal laid the groundwork for a recovery in the market.

It attracted the attention of the investment funds, which saw it as the precursor to a recovery in prices. With bond prices falling and the stock markets weak, funds began buying aluminium and copper on the LME.

"The funds' intervention was unprecedented and incredible in its size and volume," says Mr Roger *Scott-Taggart*, director of research at Alcan, the world's second-largest aluminium group. "It was beautifully timed and their analysis that the aluminium market was due for a swift recovery spot on.

"People in the industry, peering over the rim of the trenches, didn't believe there would be a serious recovery this year. But the funds created that recovery on the back of a much better market balance."

In the past six months, the rate of growth in industrial demand for aluminium has risen sharply, led by soaring demand in the US and earli*er-than-expected recoveries in* Europe and Japan. During the recession, the growth in global demand slowed from 3 per cent a year to 1.5 per cent. Mr O'Carroll of Reynolds suggests that western world aluminium consumption is set to rise by 7 per cent in 1994 to 16.7m tonnes.

Over the medium term, Mr O'Carroll forecasts that annual growth could reach 3-5 per cent, fuelled by the growing popularity of aluminium beverage cans, and the shift in the car industry from steel and cast iron to aluminium.

A year ago, producers feared they were not going to survive. Today, they are a happy crowd. At today's price of more than $1,600 a tonne, nearly every smelter in the world can operate profitably.

OBSERVER

Pomp and circumstances

■ A puff of white smoke goes up tomorrow as the City of London picks the next Lord Mayor to follow the much-travelled Sir Paul Newall, the Lehman Brothers investment banker. The strong favourite is 58-year-old Christopher Walford of *City solicitors Allen & Overy*, a partner there since 1972.

Perhaps the more interesting question, however, is who comes next. While a rough batting order is long established among the Court of 25 aldermen, 12 of whom have not "passed the chair" at any one time, private circumstances such as Lloyd's losses – as well as more mysterious factors – can lead to names dropping by the wayside.

Roger Cork, son of the late Sir Kenneth Cork who was also a Lord Mayor in his time, seems to have moved up the field, as has John Chalstrey, a surgeon at Bart's Hospital. Chalstrey is already 63, and hence would have some priority on age grounds. Richard Nichols, a solicitor, is admitted to the office of Sheriff today, and also therefore becomes eligible to be Mayor.

If, as it seems, two or three others have been passed over, Sir Peter Levene moves up the list as a *consequence*. The nearer he gets, of course, the trickier life becomes in his current position as chairman and chief executive of Canary Wharf – the City's arch rival. Then again, he doesn't have to worry about not picking up his K.

Counterfeit

■ Jean-Claude Lefranc is at it again. Having held his tongue since last year's ERM crisis, the anonymous critic – describing himself as a collective of bureaucrats and bankers – has *returned to the pages of the French* daily, Le Monde, firing a broadside at government economic policy.

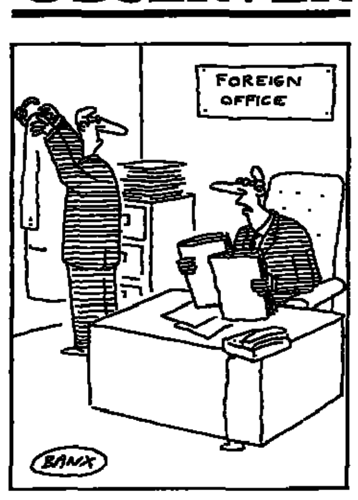
This time, Lefranc takes umbrage at the centre-right administration's allegedly sanguine view of public sector finances. His chief target – *Nicolas Sarkozy, budget minister* – is accused of various sins including disguising the true condition of the nation's books and glossing over the escalating debt burden.

Who is Lefranc? All printable suggestions to the usual address.

French leave

■ Fun and games at the International Organisation of Consumers *Unions'* 14th world congress, currently beavering away at Montpellier, France, under the title "Consumers in the global market".

Edmond Alphandéry, French economy minister, graced the meeting with his presence, giving the opening address at a gathering of 250 consumer organisations from 80 countries.



'Hey! Look! Michael Mates on the cover of Time and Newsweek! – only joking'

The gist of his speech was that successful cross-border trade depends on two factors: information and the resolution of disputes. "To reconcile global free trade with consumer rights, public authorities must push for better consumer information," *he said.*

Right on. Trouble is, Alphandéry then announced a press conference – for French journalists only. The scribes from everywhere else complained – didn't that rather contradict his speech? Maybe, but tough luck. Alphandéry's staff told them: "None of you are allowed in." The French hacks all meekly trooped off, while their international colleagues fumed.

Ah, the sweet smell of international co-operation.

Mates forever

■ Very interesting that Michael Mates should be the one sent to counteract the Irish republican propaganda being touted by Gerry Adams in the US.

Mates is a generous man. He it was who gave Asil Nadir, the former Polly Peck boss currently gracing Scotland Yard's "Wanted" notice board, a wristwatch on which was inscribed: "Don't let the buggers get you down."

He won't be extending the same gesture to Gerry Adams, that's for sure. For one thing, what on earth could he have carved on the watch? "Tempus fugit" wouldn't have quite the same panache. But "Permanently yours" might work.

Director's tonic

■ Is Glaxo about to get a grip on its legendary payouts to top directors?

Over the past two years it has paid or made provisions to pay more than £17m to three outgoing directors. The big winner is chairman Sir Paul Girolami, with £9.6m in pay, bonuses and pension contributions. Then come Ernest Mario, former chief executive, with £5m, and Arthur Pappas, head of Glaxo's Canadian and Latin American operations until this year, with more than £2m.

Today's team members are comparative paupers. Mario's replacement is Sir Richard Sykes, whose £930,000 pay package is one third less than Mario's. The company is still looking for a non-executive chairman at, say, £100,000 a year.

Even so, if any of the new boys slips off his perch or decides to take early retirement, Glaxo *shareholders deserve to know* the potential scale of the pay-offs before the event, rather than after.

Switched off

■ *Some of John Major's ministers* seem to have forgotten who helped them get into office all those years ago. While Labour's shadow minister for national heritage, Mo Mowlam, recently made time to meet John Perriss, chairman of the media policy committee of the powerful Institute of Practitioners in Advertising, Stephen Dorrell, government minister with the same portfolio, was too busy.

Perriss, a resolute Conservative, *also happens to be chairman of* Zenith Worldwide Media, the media-buying arm of Saatchi & Saatchi, the advertising agency that originated the powerful slogan "Labour isn't working".

Dorrell's civil servants will, they say, keep him abreast of the IPA's views. But who will keep Major informed about the feelings of his supporters?

FINANCIAL TIMES
Wednesday September 28 1994

Tension eases over Bosnian arms embargo

Yeltsin offers upbeat message at US summit

By Jurek Martin in Washington

US and Russian presidents Bill Clinton and Boris Yeltsin opened their fifth summit in 18 months yesterday with mutual proclamations that US-Russian relations had never been better.

Mr Clinton told a large audience on the sunny south lawns of the White House that the two countries were now partners not adversaries, adding "where we do disagree, we can discuss our differences in a climate of warm peace, not cold war".

Mr Yeltsin was equally upbeat, saying it was "all the more exciting for the two countries to join hands". Perhaps with an eye on his nationalist opponents back home who have attacked his co-operation with the US, he described the US as "a strong partner and not an easy one to deal with – just like Russia".

One potential source of disagreement – not only with Russia but also with Britain and France – was eased yesterday when Mr Clinton confirmed that the Bosnian government had agreed to a delay of 4-6 months in the lifting of the UN arms embargo against former Yugoslavia.

Bosnian president Alia Izetbegovic was due to address the UN general assembly later yesterday to explain his country's decision.

He was thought likely to attach great importance to the continued presence over the winter of the UN peacekeeping force, largely made up of British and French troops, whose withdrawal would probably have followed the end of the embargo.

Mr Clinton had been under orders from Congress to seek a lifting of the arms ban, unilaterally if necessary, by October 15 if the Bosnian Serbs refused to sign the peace plan drawn up by the western contact group, which includes Russia.

Mr Yeltsin said his reaction would be "negative, of course" to any move to rearm the Bosnians, but Mr Clinton was able to say that the question was now "largely academic".

The Russian president's two days in Washington include talks on security and economic issues with Mr Clinton and other government and congressional leaders. He was to sign an assortment of trade and investment agreements, worth over $1bn, later in the afternoon.

The US has gone to some lengths to create the right mood for this summit. For the first time, Mr Yeltsin was staying at Blair House, the official guest house, rather than the Russian Embassy.

Also a White House ceremony was to honour servicemen from both countries killed in the last war, some recompense, in US eyes, for the exclusion of Russia from the D-Day celebrations last June.

But Mr Yeltsin can expect some pressure from the US to quicken the pace of economic reform. In a speech on Monday, Mr Lloyd Bentsen, the treasury secretary, urged a renewed Russian commitment to fight inflation, proceed with more privatisation and stabilise the rouble, without which, he said, promised western assistance of $14bn-$16bn might be in jeopardy.

The US was also treading warily over the extent of support that could be publicly offered to Russian intervention in its "near abroad" (the former Soviet satellite states).

Although grateful that Russia had not criticised the US occupation of Haiti, acknowledgement of "spheres of influence, according to one US official, was "not something we consider in the vocabulary."

Wide relief over arms embargo, Page 3

Japanese politician cleared of Recruit bribery charges

By William Dawkins in Tokyo

Mr Takao Fujinami, a former chief cabinet secretary and the most prominent figure to be charged in Japan's Recruit shares-for-favours scandal, was yesterday cleared of bribery charges.

The Tokyo District Court declared him not guilty of accepting Y20m ($205,000) and 10,000 shares during the mid-1980s from Recruit Cosmos, a property developer, in return for political favours.

The affair, in which politicians received shares in Recruit before it was listed on the stock exchange and the price rose, damaged public trust in the political establishment. It became a popular morality tale of the rapid economic growth and rise in asset prices of the late 1980s.

Mr Fujinami, 61, a close aide to former Liberal Democratic party prime minister Mr Yasuhiro Nakasone, was the first politician to be charged over the Recruit scandal, in 1989.

The court accepted Mr Fujinami's claim that he had received legitimate political donations, not bribes, from Recruit. The public prosecutor, who had argued for a 3½ year prison term and a Y42.7m fine, has said he will appeal.

Once tipped as a potential prime minister, Mr Fujinami was seen as the scapegoat chosen to take the blame on behalf of the LDP, his former party. Mr Fujinami's political career was severely damaged, but this will perhaps prove to have been a temporary setback, if his acquittal sticks.

The scandal led to the resignation of an LDP prime minister, Mr Noboru Takeshita, in 1989, tarnished Mr Nakasone's reputation, and contributed to the LDP's defeat in last year's general election.

It also fuelled popular demand for political reforms, due to complete their final legislative stage in the parliamentary session starting at the end of this week.

Senior LDP officials, including Mr Nakasone, said they looked forward to welcoming Mr Fujinami back to the party.

Mr Fujinami, who left the LDP to stand as an independent after his indictment, paid the price for his links with Recruit in last year's election, when he lost his seat to a strong LDP candidate.

He had maintained that re-election would be proof of voters' trust in his innocence, a claim vindicated more than a year too late by yesterday's decision.

Federal Reserve holds off a rate rise

Continued from Page 1

duction bottlenecks, pushing prices upwards.

While the Fed's first steps to tighten monetary policy earlier this year were widely accepted as necessary, its more recent increases in interest rates have provoked mounting opposition both from Democratic members of Congress and from business groups.

Both feared that the Fed could kill off the economic recovery by raising interest rates too much.

Most economists believe that yesterday's FOMC will wait and give Mr Alan Greenspan, the Fed chairman, the option of raising the Federal Funds rate, which banks charge each other on overnight balances, some time in October if this month's economic statistics show no signs that the economy is cooling down.

New York COMEX gold broke $400 an ounce and surged to a fresh 13-1/2 month high after the committee adjourned.

Nigerian military regime tightens power grip

By Paul Adams in Lagos

General Sani Abacha yesterday tightened his control over Nigeria by bringing members of the armed forces into an expanded provisional ruling council and removing civilian members.

The new line-up reflects the uncompromising stance of Gen Abacha since mid-August towards anti-government strikes and protests in support of the presidential claims of the jailed opposition leader Mr Moshood Abiola.

A challenge to Gen Abacha's authority from within the regime during the two-month oil workers' strikes led to the dismissal of Maj-Gen Chris Alli as head of the army last month and a number of changes in key posts in the armed forces.

Gen Abacha has said he is preparing to hand over to a democratically elected government but has banned political parties, closed newspapers, arrested civilian critics and detained Mr Abiola and charged him with treason for declaring himself president on the anniversary of his unofficial victory in last year's general election.

The evolution from a military junta with democratic sympathies into an authoritarian regime in nine months became clear earlier this month with a series of decrees that strengthened the government's unconstitutional powers and declared it had come to power in a "military revolution". Last November the military claimed that it was invited to take control to rescue the country from anarchy.

Lt-Gen Oladipo Diya, like Mr Abiola a member of the Yoruba tribe from the south-west, remains number two in the regime but has lost influence since the Abacha government took control in November 1993.

The 25-man ruling council is dominated by officers from the Hausa-speaking north which has held power for more than a decade. Yesterday's changes included the dropping of four civilian members in the council formed by Gen Abacha.

The council has never functioned as a policy making body and decisions have usually been taken by Gen Abacha with small groups of advisers. Although this is likely to continue, the new body includes officers who are seen as loyal or indispensable to the regime.

The chief of defence staff and chiefs of the army, navy, air force and police are joined in the ruling council by the commanders of the four main infantry divisions which form the backbone of the army.

Other new members are the commander of the Lagos garrison, the heads of the military intelligence services, and the commanders of the leading military staff organisations.

THE LEX COLUMN

EVC's plastic problem

The reasons why ICI and Italy's EniChem eventually want to leave the PVC industry are easy to fathom. The European sector is mature, hugely cyclical, and unpleasantly capital intensive. EVC, their joint venture, also has a record of bleeding red ink. The company has achieved combined pre-tax losses over the last three years of Fl 827m. That raises the question why anyone else should pick up shares when the stock is floated.

EVC has its attractions. It moved into the black during the last six months. Its management believes profits are set to expand rapidly as the group rides the economic cycle and cuts costs. There is certainly scope for savings. EVC may be Europe's largest PVC maker, but it is far from the most efficient. If the new group can grasp the political nettle in Italy where it needs to cut staff, it can probably achieve its cost reduction targets.

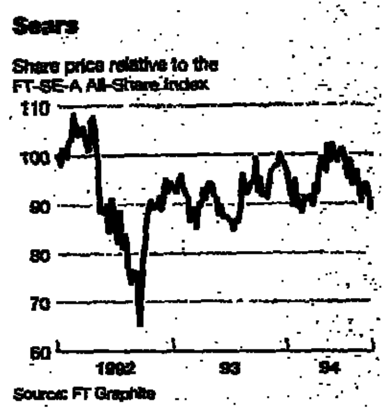
Of more concern is the validity of EVC's growth projections for the PVC market. Demand for PVC pipes and window-frames – representing about 50 per cent of the market – looks solid. But health and environmental fears make the prospects for PVC packaging far more uncertain. These concerns were heightened this month when the US Environmental Protection Agency published a new report on the subject. Evian water will no longer be sold in PVC bottles and other manufacturers look set to follow. Mineral water bottles may represent just 4 per cent of the west European market, but that is still substantial given the overall sector may expand at only 1.5 per cent a year. PVC is a risky product. EVC's price will have to reflect that.

Sears

The diversity of Sears' interests arguably helps insulate the group from the full severity of a downturn in individual segments of the retail market. But, as yesterday's interim results show, the range of the group's activities also has the unfortunate effect of muffling the impact of recovery.

The figures showed unequivocal evidence of earnings momentum in at least three main businesses, namely footwear, mail order and Selfridges. Results from all three reflected the successful implementation of well thought-out measures to cut costs, enhance systems and boost sales by revamping store formats. Elsewhere things went wrong. The two black spots were the Adams childrenswear chain and the Olympus sports shops.

FT-SE Index: 3008.5 (+8.7)



Source: FT Graphite

The decline at Olympus can be blamed on testing conditions in sports footwear, but Adams suffered from trying to change too much too quickly.

There is much to hope for at Sears. Margins, which were 6 per cent last year, are still a long way below the 10 per cent which the management believes is achievable. The rolling out of new formats in footwear and the Selfridges' revamp will certainly help narrow the gap. But Adams' problems, the worst of which have now been dealt with, highlight the lack of focus inherent in so broadly diversified a group. This is especially so within the loose agglomeration of businesses grouped under the High Street Fashion heading. Based on consensus forecasts, the group will make pre-tax profits of £145m-150m this year, putting the shares on a small premium to the market. Given that the group's current low tax charge is rising, the rating looks demanding.

Deferred tax

UK finance directors must feel beleaguered. Last week the Accounting Standards Board put noses out of joint by tightening up acquisition accounting. Tomorrow the ASB meets to discuss deferred tax. Though it will be several months before proposals are published and these will be subject to consultation, the board is leaning towards scrapping the current "partial provisioning" system. If this happened, the reported earnings of some companies with heavy investment programmes could decline sharply, according to research published today by brokers Colin Stuart. The snag with partial provisioning is that it gives finance directors considerable discretion over what tax charge to report. Deferred tax arises mainly when capital allowances exceed depreciation, so companies can massage reported earnings by varying their investment plans. This sits badly with the ASB's drive to remove opportunities for creative accounting.

But there are also problems with the main alternative "full provisioning", under which deferred tax is immediately charged against profits. The actual payment of tax may be deferred for many years. A tax liability postponed clearly does not have the same financial impact as one due today.

An attractive option would be to discount a company's deferred tax liabilities by its cost of capital. Though there would be debate over what the appropriate cost of capital should be, there would be less discretion than under partial provisioning. Moreover, if a robust model for discounting deferred tax liabilities could be developed for deferred tax, it would pave the way for discounting other liabilities and assets. That would produce more financially meaningful numbers and be a prize well worth securing.

Crédit Lyonnais

Paradoxically the modest scale of Crédit Lyonnais' losses reported yesterday means the state-owned banking group will remain in the mire longer than it might have done. Mr Jean Peyrelevade, appointed by the government as chairman of the state-controlled group last year, clearly lost his battle to post an even bigger figure. This would have allowed him to clear the decks for the future by forcing the French state to inject even more money. However, the government appears to have balked at the size of the capital injection necessary to ensure Crédit Lyonnais met European solvency ratio requirements had even bigger losses been declared. Those believing governments should not subsidise poorly-run state-owned organisations may applaud the decision, but it leaves Crédit Lyonnais in a desperate plight. The need for disposals has been made more acute and Mr Peyrelevade, as a forced seller, will find it even harder to achieve decent prices for his assets. The year-on-year 3.3 per cent reduction in general and administrative expenses is a start, but future cuts will have to be more draconian. A dividend payment remains beyond the horizon and privatisation somewhere over the rainbow.

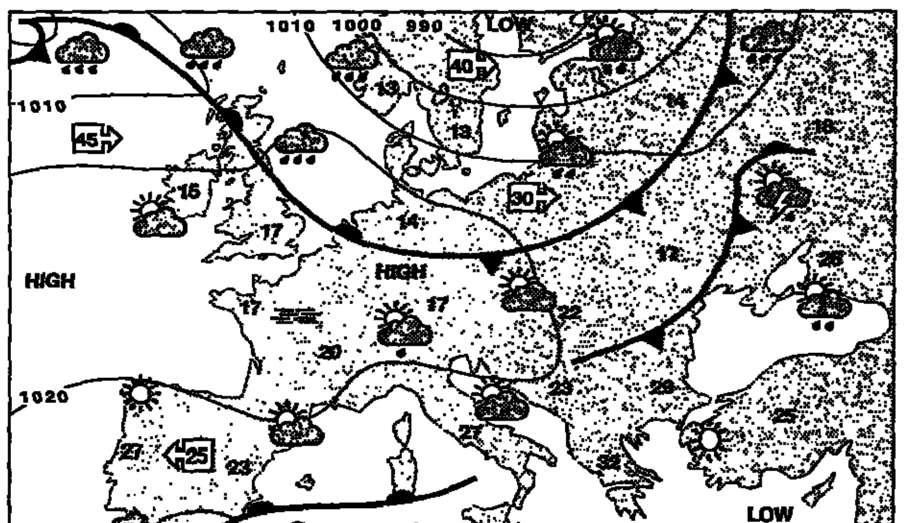
FT WEATHER GUIDE

Europe today

A high pressure area south-west of Ireland with a ridge extending into France will provide settled conditions over much of western Europe. The Low Countries, southern England, France and Germany will have fog patches which could be dense. During most of the day, there will be cloud interspersed with sunny spells. Active low pressure areas over Spain and northern Africa will produce rain and thunder, especially in southern and eastern Spain and the western Mediterranean. Italy and Greece will be mainly dry with sunny periods. Northern Europe will be windy and changeable. The Atlantic seaboard of Norway will have a lot of rain but Sweden will have some breaks in the cloud.

Five-day forecast

A ridge of high pressure will keep most of western and central Europe dry and calm with fog during the night and sunny spells in the afternoon. The western Mediterranean and eastern Spain will remain unstable with thundery rain, which could be heavy at times. Northern Europe will stay cool, wet and windy as several active low pressure areas cross the region.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	22	Caracas	fair	31	Faro	fair	23	Madrid	shower	23	Rangoon	cloudy	31
	Celsius		Belfast	cloudy	15	Cardiff	cloudy	16	Frankfurt	cloudy	19	Majorca	shower	25	Reykjavik	fair	7
Abu Dhabi	sun	37	Belgrade	fair	23	Casablanca	fair	22	Geneva	shower	19	Malta	fair	29	Rio	rain	19
Accra	shower	31	Berlin	cloudy	13	Chicago	rain	17	Gibraltar	shower	23	Manchester	cloudy	16	Rome	fair	27
Algiers	fair	28	Bermuda	shower	30	Cologne	cloudy	17	Glasgow	shower	16	Manila	shower	32	S. Frsco	cloudy	22
Amsterdam	cloudy	16	Bogota	fair	20	Dakar	cloudy	31	Hamburg	cloudy	12	Melbourne	shower	15	Seoul	fair	23
Athens	fair	30	Bombay	fair	32	Dallas	sun	31	Helsinki	shower	11	Mexico City	fair	17	Singapore	cloudy	30
Atlanta	fair	27	Brussels	cloudy	17	Delhi	sun	34	Hong Kong	cloudy	30	Miami	fair	31	Stockholm	fair	12
B. Aires	fair	23	Budapest	fair	22	Dubai	sun	36	Honolulu	fair	31	Milan	fair	23	Strasbourg	fair	19
B.ham	cloudy	17	C.hagen	fair	13	Dublin	cloudy	16	Istanbul	fair	26	Montreal	rain	17	Sydney	fair	21
Bangkok	rain	32	Cairo	sun	31	Dubrovnik	fair	27	Jakarta	fair	31	Moscow	shower	15	Tangier	thund	21
Barcelona	shower	23	Cape Town	shower	15	Edinburgh	shower	16	Jersey	cloudy	17	Munich	shower	16	Tel Aviv	fair	30
									Karachi	fair	33	Nairobi	fair	28	Tokyo	cloudy	26
									Kuwait	sun	40	Naples	fair	27	Toronto	shower	18
									L. Angeles	fair	25	Nassau	shower	32	Vancouver	shower	19
									Las Palmas	fair	26	New York	shower	22	Venice	shower	23
									Lima	cloudy	22	Nice	fair	23	Vienna	shower	20
									Lisbon	fair	26	Nicosia	shower	32	Warsaw	cloudy	14
									London	cloudy	18	Oslo	fair	14	Washington	fair	24
									Lux.bourg	cloudy	17	Paris	fair	20	Wellington	rain	13
									Lyon	fair	21	Perth	fair	21	Winnipeg	cloudy	16
									Madeira	fair	24	Prague	cloudy	16	Zurich	shower	17

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday September 28 1994

IN BRIEF

Metall shares tumble further

Metallgesellschaft's shares tumbled to another low yesterday as analysts raised estimates of this year's losses in the face of confusion about the troubled German company's prospects. Page 20

SocGen climbs despite market uncertainty
Société Générale, one of France's largest banks, yesterday reported consolidated group net profits up 3.8 per cent to FFr2.24bn ($420m) for the six months to June 30. Page 21

Henkel to lead German industry body
Mr Hans-Olaf Henkel, who resigned three weeks ago as European head of International Business Machines, will be elected president of the Federation of German Industry in November. Page 21

India to relaunch sale of telecom equity
India is preparing to revive the postponed international equity offering by VSNL, its international telecommunications monopoly, following the recent successful issue by Pakistan Telecom. Page 22

Jardine outlines Singapore trading terms
Jardine Matheson, the holding company for the diversified group of Jardine companies, has outlined arrangements for investors to trade on the Singapore stock exchange. Page 22

France to raise FFr20bn in bond sales
The French government yesterday unveiled details of its plans to open the government bond market to individual investors. Page 23

Acatos in £27m alliance with ADM
Acatos & Hutcheson, the edible oil and fat manufacturer, is forming a strategic relationship with Archer Daniels Midland, the US agribusiness group. Page 24

Yule Catto up 42% but warns on margins
A sharp increase in first half profits at Yule Catto, the chemical and building products group, was yesterday overshadowed by a warning that rising raw material prices could hamper future growth. Page 25

Dorling Kindersley slips to £9m
Dorling Kindersley Holdings, publisher of illustrated reference books, expects a "reasonable contribution" to group profits this year from its new generation of multimedia products. Page 26

Acquisition helps lift Huntleigh 74%
Huntleigh Technology, the USM-quoted medical equipment manufacturer, reported a 74 per cent increase in first half profits following a maiden six-month contribution from Nesbit Evans. Page 27

Coffee futures recover after early setback
Coffee futures prices suffered a setback in London and New York yesterday following rainfall that brought light relief to drought-hit coffee plantations in Brazil. Page 28

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Falls			
AG Ind Verk	524	-	12.5
Bay Vereins	423.5	-	8.5
DLW	406	-	10
Leifheit	720	-	15
Linotype	355	-	11
Mägstecht	118.5	-	14.7

NEW YORK ($)

Rises			
Alcoa	86¾	+	1¼
Nynex	37⅞	+	1¼
Falls			
Frsh Choice	21	-	2¼
Lotus Dev	35⅞	-	1⅛
Micron Tec	35¾	-	⅛
Texas Ins	67⅞	-	¼

PARIS (FFr)

Rises			
Accor	612	+	10
CSP	1115	+	28
Danone	728	+	19
Promodes	994	+	21
Falls			
Cred Lyon	374	-	13
Geophysique	358.6	-	28.2

TOKYO (Yen)

Falls			
Ando Cons	613	-	31
Aoyama Trad	3250	-	150
Daishowa	801	-	64
Fuji Spin	464	-	28
Gen Sekiyu	985	-	63
Toei	711	-	33

New York prices at 12.30p.

LONDON (Pence)

Rises			
Body Shop Intl	218	+	9
Cookson	239	+	7
De La Rue	927	+	21
Eurotunnel Uts	259	+	9
GEC	291	+	7½
Go-Ahead	143	+	10
Inchcape	425	+	15
Wensum	102	+	10
Yule Catto	292	+	8
Falls			
AromaScan	82	-	14
Bensons Crisps	44	-	4
Daejan	1360	-	40
Eurodollar	202	-	10
French Connectn	255	-	10
Hazlewood Foods	120	-	5
Leeds Group	279	-	10
Mucklow (A&J)	146½	-	12½
Sharelink	187	-	51
Smith New Court	400	-	14
Spandex	263	-	10
Tarmac	132½	-	13½
TransTec	54	-	13
Wheway	98	-	21

Saudi prince buys 25% of Four Seasons

By Bernard Simon in Toronto

Prince Al-Waleed Bin Talaal, the Saudi investor, is expanding his fast-growing leisure and entertainment interests by paying C$165m ($122m) for a 25 per cent stake in Four Seasons Hotels, the Toronto-based luxury hotel chain.

The prince, who is the largest single shareholder in Citicorp, the biggest US bank, has also acquired interests over the past two years in the Euro Disney leisure group, the New York department store Saks Fifth Avenue, and the San Francisco-based Fairmont hotel chain. Most recently, he joined Accor, the French hotel group, in an unsuccessful bid to buy the Meridien luxury hotel chain from Air France.

Accor and the prince were defeated by a rival bid from Forte, the UK hotel and restaurants group.

Prince Al-Waleed will pay C$22 for each Four Seasons share, representing a 54 per cent premium on the market price. Although Four Seasons' operating performance has improved recently, analysts have expressed concern about its debt exposure.

The prince has also agreed to invest C$100m to acquire or develop hotels for Four Seasons and its affiliated Regent chain, starting with a property under development in Riyadh, the Saudi capital.

Mr Charles Henry, a former investment banker recently hired by the prince to oversee his hotel investments, said yesterday that "we see long-term value there which the market wasn't recognising". Mr Henry said Four Seasons fitted Prince Al-Waleed's strategy of investing in capital-intensive, global businesses with strong brand names.

The deal follows a search by Mr Isadore Sharp, Four Seasons' founder and chairman, for an outside investor with the resources to finance the chain's future expansion, who would at the same time allow him to plan for retirement. Mr Roger Garland, Four Seasons' executive vice president, said the deal would provide liquidity for Mr Sharp's estate, while minimising disruption in management.

Mr Sharp, who turns 63 next week, will retain 65 per cent of Four Seasons' voting shares and will continue as chief executive. According to Mr Garland, Mr Sharp "has no intention to sell more shares". Prince Al-Waleed will appoint two directors to Four Seasons' board, and has a right of first refusal on Mr Sharp's remaining shares. He also has a "piggy-back" right to join Mr Sharp in selling their shares to a third party.

Four Seasons and Regent own or manage 44 hotels and resorts in 19 countries. Expansion is likely to focus on Europe, the Middle East and Asia. It has "a long list of potential opportunities which we'll have to discuss with the prince," Mr Garland said.

Canal Plus takes stake in Vox TV

By Raymond Snoddy in London

Vox, the German satellite television that went into liquidation in April, received a boost yesterday when Canal Plus, the French subscription television group, took a 24.9 per cent stake.

Canal Plus has negotiated the same terms as Mr Rupert Murdoch's News Corporation which took a 49.9 per cent stake in the channel in July, according to sources.

Neither group has paid anything for the stake nor taken on any of the estimated DM450m ($290m) debts of the channel since it was launched at the beginning of last year by Bertelsmann, the international media group, and other German partners. Both Canal Plus and News Corporation will invest in the future of the channel and make their programming expertise available.

Mr Marc Tessier, Canal Plus executive vice president for corporate development, said the company had become an investor in Vox " because it's a good partnership – Murdoch, Bertelsmann and ourselves."

Vox, which has to provide news and current affairs as a condition of its licence, was billed originally as "television for university graduates".

The advertising-financed channel managed to get only an audience share of about 2 per cent although it is available to 73 per cent of the German population through cable, satellite and by broadcast on terrestrial frequencies.

Canal Plus, which runs subscriptions channels in France and with partners in Spain, Germany and Africa, has never invested in advertising-funded television before. "We felt that it was worth making an exception in the case of the German market," Mr Tessier said.

Despite the difficulties of the channel, it is believed there were other potential bidders, including Viacom, owner of MTV Networks, and GS Capital Partners, an investment fund run by the US securities house Goldman Sachs.

Canal Plus had considerable advantages in such a competition. The French group already is an investor with Bertelsmann in Premiere, the German subscription television channel, and in July signed an agreement with Bertelsmann to develop jointly new pay television channels for Germany and other European markets.

After a number of Vox investors pulled out, Bertelsmann was left with more than the 24.9 per cent stake it was allowed to hold because of its other German TV interests.

The stake which has now gone to Canal Plus was being held in trust until a buyer was found. Mr Tessier emphasised last night that Canal Plus was not holding the shares on Bertelsmann's behalf.

"We are equal partners and we have equal obligations", Mr Tessier said. It is believed the three Vox partners will take decisions jointly on the future direction of the channel and its senior staff.

Lebanon plans to raise $300m with first eurobond

Tony Andrews

Lebanese prime minister Rafik Hariri launched an issue of three-year eurobonds which was doubled to $300m because of strong demand. Details, Page 20. Government bonds, Page 23

Advance by Telecom Italia eases way for sale of Stet

By Andrew Hill in Milan

Telecom Italia, the main operator in Italy's state-owned telecommunications sector, yesterday reported strong first-half results, easing the way for the long-awaited privatisation of Stet, its parent company. Last night, directors of Iri, the state holding company which controls Stet, indicated privatisation could take place before the middle of 1995.

Until now, indecision about the form and timing of telecoms privatisation has created uncertainty about the immediate future of the two companies.

Telecom Italia made a pre-tax profit of L2,175bn ($1.39bn) in the first half of 1994. The results are difficult to compare with previous figures, however, because the company was only formed earlier this year, following a merger between Sip, the main telecoms operator, and four other state telecoms companies. Sip, which accounts for nearly 90 per cent of the new group, reported an interim profit in 1993 of L991.6bn.

Telecom Italia forecast that further rationalisation would allow it to report full-year results "clearly better" than those of 1993. It also forecast a reinforcement of its balance sheet, and an improvement in income, which increased by 25 per cent to L14,276bn in the first half.

Mr Francesco Chirichigno, the managing director of Telecom Italia, said yesterday that the results showed the group was already a force among Italian and international companies.

Telecom Italia and Stet, which owns about 60 per cent of Telecom Italia as well as other telecoms operations, are already quoted on the Milan stock exchange. In terms of overall market capitalisation they are bigger than Fiat, the largest private-sector industrial company.

In recent weeks, senior politicians have talked publicly about a possible merger between Telecom Italia and Stet, which would further simplify the structure of the telecoms sector, but take time to achieve.

In the first half, Telecom Italia reduced financial charges to L757.7bn. Total investment spending was L3,680bn.

EniChem and ICI to float EVC in Amsterdam

By Daniel Green in London and Ronald van de Krol in Amsterdam

EVC International, a European plastics joint venture between ICI of the UK and Italy's EniChem, plans to float about 60 per cent of its share capital on the Amsterdam Stock Exchange in a deal likely to value the company at more than Fl 1bn ($574m).

The flotation is scheduled to take place in November. EVC is Europe's biggest maker of polyvinyl chloride with about 19 per cent of the market and sales last year of Fl 1.9bn.

Half of the flotation proceeds, between Fl 600m and Fl 700m, will represent the sale of new shares. The other half will be of shares owned by ICI and EniChem, whose combined stake will fall to about 40 per cent.

ICI will take an exceptional write-down of £125m ($197m) as EVC's balance sheet is restructured. Mr Alan Spall, finance director, said this was largely a book adjustment as the way in which the accounting for EVC's assets had changed.

ICI and EniChem will undertake not to sell additional shares until after EVC's results for 1995 are published in early 1996.

The PVC market, in common with that for other plastics, has been in deep recession since the end of the 1980s. EVC has made heavy losses since 1991.

The price has recovered to a level last seen in 1991 thanks to higher demand from the construction and building materials sector, which accounts for 61 per cent of EVC's sales.

EVC is registered in Amsterdam. Its operations are co-ordinated from Brussels, and it has plants in Germany, Britain, Italy, Spain, Sweden, Switzerland and Austria. Mr Nigel Taylor, finance director, said the Amsterdam had been chosen for the flotation to underline EVC's pan-European character.

The flotation will consist of two institutional share offers, for Dutch and international institutions, as well as a retail share offer in the Netherlands. S.G. Warburg Securities and UBS will act as global co-ordinators, while ING Bank of the Netherlands will handle the Amsterdam listing.

Mr Ettore dell'Isola, chief executive officer, said EVC would use its part of the proceeds to reduce debt, giving it a debt-to-equity ratio of less than 30 per cent.

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Barry Riley

Prudence and pragmatism in German reporting

It is just a year since Daimler-Benz decided to break ranks with the German corporate establishment and seek a Wall Street listing. Now there are glimmers of a compromise approach to bridging the gulf between Germany and the rest of the global equity market.

Last year a weakened Daimler-Benz wished to tap the US capital market. It also aimed to become a truly multinational enterprise, an ambition only attainable if it broke free of its restrictive legal and accounting base in Germany.

The group was exploiting a huge wave of US investor interest in foreign companies. Since 1991 some 370 foreign companies have listed in the US, and the peak 1993 annual total of 110 is likely to be exceeded this year. These companies include many emerging markets.

The US Securities and Exchange Commission considers that it has been flexible in responding to the demand, but it has a formidable rulebook to impose. Whereas emerging markets with few capital market traditions of their own have no hang-ups about conforming with US generally accepted accounting principles (GAAP), Germany has its own deep-rooted conventions.

In particular, financial reporting is dominated by the requirements of creditors, who care little about the profit and loss account but want a conservative balance sheet while corporate taxes are levied on the basis of the published accounts, again encourages understatement.

Things have looked up considerably at Daimler since the group reported a German-style net profit of DM168m ($109m) for the first half of 1993, but a US-style net loss of DM949m. Those figures not only emphasised the group's trading problems but blew the gaffe on the idea that German accounting techniques are always conservative. In fact, they are used to smooth out awkward dips; in recessions they are flattering. This year car production has soared and is likely to be up by 15 per cent, effectively to full capacity of 585,000 vehicles. First half net profits are unambiguously positive at DM462m on the German basis and DM369m under US GAAP.

The prudence principle encourages the understatement of asset values

A herd of regulators is attempting to address these problems. The International Accounting Standards Committee has been promoting its international standards for more than 20 years, but it is a private sector body backed by the big auditors and has little direct authority. The European Union has developed a harmonised framework for Europe, but its older legislation – in the Fourth company law directive – is now becoming dated.

More recently the International Organisation of Securities Commissions (IOSCO) has developed as a network of powerful statutory bodies. It is working closely with the IASC. But individual national bodies ranging from the SEC to the German Ministry of Justice are jealously guarding their own patches.

Thus the Germans continue to promote the "prudence principle" which encourages the understatement of asset values and the building of reserves which can be used to smooth over setbacks. This approach clashes directly with the provision of accurate information to shareholders about an enterprise's short-term economic performance. But Daimler-Benz is optimistic that it can use options within the German Commercial Code to reduce the differences between the US and German systems.

For the time being a compromise solution to the German problem will apply. Companies wishing to tap the international markets will prepare global consolidated statements according to US GAAP (or other international standards) but non-consolidated statements according to German rules. This will leave their domestic tax position unaffected, but it will also limit their potential for paying dividends.

This might lead to confusion, not least for the managers trying to measure their achievements according to different and conflicting principles. In practice, though, the domestic statements would probably be largely ignored even by domestic investors.

Eventually, perhaps, a kind of inverted Gresham's Law of Financial Reporting would apply: the good financial statements would drive out the bad.

Metall shares tumble further

By Andrew Fisher in Frankfurt

Metallgesellschaft's shares tumbled to another low yesterday as analysts raised estimates of this year's losses in the face of confusion about the troubled German company's prospects.

Mr Kajo Neukirchen, the chief executive brought in to stem the losses and put the engineering, trading and chemical company on a recovery path, denied rumours that banks no longer supported its recovery plan. He repeated that an operating profit of at least DM100m ($64m) was expected next year and said the recovery programme would be pursued.

The continued drop in the shares brought the closing price to DM118.50 – at one stage, they slid to DM101 – down DM14.70 on the day. This was a decline of 11 per cent – the same as Monday. At the start of this month they stood above DM200.

One source of downward pressure was an estimate by Deutsche Bank Research putting the loss per share this year at about DM210, implying a total loss of DM3bn, a rise of more than DM80 on its previous estimate. DB Research referred to the negative statements emanating from the company in recent weeks. For next year, it expects a loss of only DM8 a share.

Metallgesellschaft said recently that risk provisions of DM1bn set aside to cover losses on controversial oil contracts would have to be increased. The company approached collapse early this year before being rescued by its creditor banks, chiefly Deutsche Bank and Dresdner Bank.

Investors have been unsettled by speculation that the company may reduce its share capital and then make a rights issue. Further restructuring, especially on the non-ferrous smelting side, is expected by some analysts.

Reports of possible legal action and investigations into the company in the US are a further source of uncertainty.

The New York district attorney's office says it is looking into activities of companies "related to Metallgesellschaft". Responding to US articles about the way the loss-making US oil contracts were handled late last year, *Deutsche Bank* said there had been no alternative to their rapid unwinding.

Lafarge lifts profits 50% to FFr1.04bn

By John Ridding in Paris

Lafarge Coppée, the French construction materials group, yesterday announced net profits of FFr1.04bn ($190m) for the first half, an increase of 50 per cent compared with the same period in 1993.

The increase was achieved on a rise of 8 per cent in sales to FFr15.4bn and reflected a strong improvement in many of its business sectors and a reduction in financial charges. Earnings per share rose by 30 per cent to FFr13.50.

Lafarge Coppée said the first half saw significant recovery in prices and margins in the North American market, an improvement in the Spanish market and increased profitability of its plaster operations in Europe, underpinning a 38 per cent increase in operating profits to FFr2.01bn.

Performance was further improved by lower financial charges following a reduction in the company's debts.

At the end of June this year, net debts stood at FFr4bn, compared with FFr5.4bn at the beginning of the year.

The reduction partly reflected net gains of FFr2.1bn from asset sales.

The building materials group revealed a sharp increase in investments for the first half of the year, increasing expenditure by 22 per cent to FFr2.36bn.

First eurobond for Lebanon

By Graham Bowley and Antonia Sharpe in London

Lebanon is to launch its first eurobond offering today to help pay for the rebuilding of a country torn apart by 16 years of civil war.

The original target for the issue of three-year bonds, which bankers say is the first eurobond to emerge from the Arab world, was $150m, but it was increased yesterday to $300m, the maximum amount authorised by the Lebanese parliament, because of unexpectedly strong demand from international investors.

Mr Rafik Hariri, the Lebanese prime minister who was in London yesterday, said the deal would allow the government to diversify its funding sources.

"We are trying to finance our construction programme through several sources. This deal opens the door to the international capital markets," he said.

The proceeds of the eurobond offering will be used mainly to finance the building of a ring-road around Beirut. There are also plans to build homes across the country to encourage people displaced by the 1975-1990 civil war to leave the capital.

The total cost of Lebanon's reconstruction programme is estimated to be about $11bn, to be spent over the next eight to 10 years. The government intends to finance the programme through the budget, internal borrowings and bilateral agreements with other countries and international agencies such as the World Bank.

It has already signed contracts to upgrade Beirut airport and to modernise telephone, electricity and water systems. Improvements to Lebanon's infrastructure could revive the tourism industry, which provided about one quarter of its national income before the civil war.

Merrill Lynch, the US bank which is arranging the offering, reported strong demand for the bonds from a wide range of investors, including institutions and rich Lebanese expatriates. The latter are expected to take up one-third of the issue.

"This is a sign that confidence in the future of Lebanon has returned," said Mr Riad Salame, governor of Banque du Liban, the central bank.

International bonds, Page 23

Czech energy deal near completion

By Vincent Boland in Prague

A $700m plan for restructuring the Czech Republic's petroleum industry is close to approval by the government, clearing the way for foreign investment in the sector.

The cabinet is meeting today to discuss the industry following a recommendation by the council of economic ministers that four international oil groups, Shell, Conoco, Agip and Total, be allowed to enter negotiations with the country's two oil refineries. This is something they have been seeking for more than two years.

The companies were confident yesterday that their proposal, which calls for splitting refining capacity from the petrochemicals division, would be waved through.

They have jointly offered to pay $180m for 49 per cent of the two refineries, at Litvinov and Kralupy outside Prague, and are committed to a $520m five-year investment programme.

Fierce domestic opposition to the proposal has led to several delays in reaching a decision on the industry's future. Chemapol, the monopoly Czech importer of Russian oil, on which the country is dependent, has tabled a rival offer which promises to keep the two divisions together. But the lack of finance guarantees in its proposal has undermined its attempt to win control of the industry.

The government originally supported Chemapol's offer, but Mr Vaclav June, the company's chief executive, became the target of allegations that he was a secret police informer during the communist era. Senior ministers became concerned the controversy was damaging the Czech Republic's image abroad.

Polish banks plan cross shareholding venture

By Christopher Bobinski in Warsaw

Two large Polish banks yesterday announced plans to purchase cross shareholdings as part of the continuing consolidation of the sector inspired by the government's bank disposal programme.

Under the agreement, the state-owned PowszechnyBank Kredytowy, based in Warsaw, is to increase its 8.5 per cent stake in the private Kredyt Bank to between 20 per cent and 25 per cent of the bank's equity following a new share issue.

Meanwhile, the Kredyt Bank, founded four years ago, has pledged to buy up to 25 per cent of the PBK's equity when it is privatised.

The PBK which is capitalised at 3,975bn zlotys ($176m) is Poland's second largest bank and one of the nine commercial banks hived off from the central bank in 1989. Two of these have since been privatised and a third, Bank Przemyslowo Handlowy (BPH), based in Krakow, is to be sold later this year. The remaining six are to be sold off by the end of 1996.

The PBK said yesterday the move formed "the basis for establishing a strong Polish financial group able to compete with foreign banks which are becoming increasingly active in the domestic market".

The Kredyt Bank, which floated its shares on the Warsaw stock exchange earlier this year, is capitalised at 1,011bn zlotys.

The PBK share purchase would come out of a planned new stock issue of between 3m and 11m shares with the Kredyt Bank's strategic partner pledged to buy between 1.9m and 4.4m shares.

Kredyt Bank has 11.4m shares priced at 137,000 zlotys each.

After six months of this year the PBK reported a net profit of 1,532.8bn zlotys on a balance sheet worth 46,602.1bn zlotys while the Kredyt Bank's net profit reached 81.6bn zlotys on a balance sheet worth 6,304.3bn zlotys.

Banco Popolare in the red after credit risk provisions

By Andrew Hill in Milan

Banca Popolare di Milano, one of Italy's larger retail banks, yesterday blamed past management errors for exposing the bank to heavily indebted Italian companies such as Ferruzzi, the large holding company.

Mr Francesco Cesarini, chairman since the spring, said the bank had to provide for bad credit risks in its first-half accounts, plunging BPM into a loss of L352bn ($220m), against profits of L17.7bn in the equivalent period last year.

About L429bn was provided against bad loans, compared with L152bn in the first half of 1993, but Mr Cesarini said this would not affect the solidity of the bank, or its ability to compete in the overcrowded Italian market.

BPM, which has paid heavily in the last few years following the collapse of its leasing operations, will concentrate on providing service to "economic players of small dimensions," Mr Cesarini said.

In 1993, BPM had to renounce about L63bn of credits to Ferruzzi-Montedison, the industrial group which came close to collapse last year, but Mr Cesarini said the bank had also suffered from its exposure to other indebted Italian companies.

The Milanese bank was also hit by the general decline in interest margins and the weakness of financial markets in the first half.

Banco Ambrosiano Veneto, another of Italy's biggest banks, also announced first-half results yesterday which were affected by the less favourable market conditions.

Profits reached L90.3bn for the first half, up only L2bn on the equivalent period of 1993, after tax, write-downs, depreciation and provisions of L323bn against L242bn.

However, the bank's gross operating profit rose by 5.2 per cent to L528bn, while customer deposits rose 8.5 per cent, and indirect deposits by more than 19 per cent compared with the situation on June 30, 1993.

Argentaria expands network

By Tom Burns in Madrid

Argentaria, the Spanish state-controlled banking corporation which was partially privatised last year, is to raise its domestic branch network by about 25 per cent to nearly 2,000 offices with a three-year, Pta35bn ($273.4m) investment plan.

The retail expansion follows Argentaria's failure to take over Banesto, the troubled bank group which was recapitalised earlier this year and acquired by Banco Santander in a public auction.

Argentaria has a comparatively low number of domestic outlets. Rival bank Banco Bilbao Vizcaya, BBV, which also bid unsuccessfully for Banesto, has announced plans to add 250 offices to the 2,900 units of its branch network.

The Argentaria investment is viewed as preparing a growth strategy in advance of a global share offering, which is expected next year. Argentaria claims the network expansion will lift its domestic customer base to 6m clients from 5m.

In the course of two offerings last year, the government raised $2.2bn by reducing public equity in the banking group to just over 50 per cent.

The planned Argentaria Three disposal could place a further 25 per cent of the state's shareholding on the market.

Sales recovery helps put Marzotto back in black

By Andrew Hill

Marzotto, Italy's largest textile and clothing group, yesterday forecast a "considerable increase" in full-year profits, after a return to profitability in the first half of 1994.

The company, which is seeking to increase its exports, has begun to reap the benefits of a weak lira and gradual economic recovery. It reported group consolidated net profit of L9.8bn ($6.3m) for the first six months of this year, against a loss of L5.2bn in the equivalent period last year. Operating profits rose 50 per cent to L76.4bn.

Marzotto's thread, yarn and textiles divisions were the main contributors to the recovery, but the clothing division also lifted profits.

In 1993, Marzotto relied on a strong contribution from Hugo Boss, the German menswear company it controls, to offset disappointing results from the Italian market. However, in the first six months of this year, the company said the Italian clothing activities had also shown a "slight improvement", as the decline in domestic consumer demand bottomed out.

Group sales for the first six months of 1994 rose to L986bn, against L959bn last time.

Tarmac profits rise to £23.1m

By Andrew Taylor in London

House sales have halved during the two weeks since UK interest rates rose by a half percentage point, according to Tarmac, the country's second largest housebuilder. It announced a nine-fold rise in pre-tax profits from £2.5m to £23.1m during the first six months of this year on a turnover of £1.16bn (£1.3bn).

Its shares fell from 146p to 132½p on fears that sales were being hit by the rate rises. It proposed a maintained interim dividend of 3p on earnings per share of 1.6p (0.6p restated loss). Stockbrokers Barclays de Zoete Wedd is forecasting full-year pre-tax profits of £105m.

INTERNATIONAL COMPANIES AND FINANCE

SocGen climbs despite market uncertainties

By Andrew Jack in Paris

Société Générale, one of France's largest banks, yesterday reported consolidated group net profits up 3.8 per cent to FFr2.24bn ($420m) for the six months to June 30.

Mr Marc Viénot, chairman, said the group's diversified structure helped offset declines caused by the uncertainty in global markets.

The bank reported a substantial decline in provisions, down 22 per cent to FFr2.74bn. Exceptional charges amounted to FFr80bn against FFr6bn.

Mr Viénot said the provisions reflected charges against loans to small and medium-sized business, specialist subsidiaries and international credits.

There was a 41 per cent drop in income from financial instruments and currency transactions during the first half, reflecting declines in interest rates and a reduction in equity activity.

However, the bank stressed the decline was lower than those of many of its competitors during the period, and was offset by specialist investment and management activities.

Total revenue fell 1.7 per cent to FFr19.9bn from FFr20.2bn, while administrative costs rose 2.2 per cent to FFr13.8bn, leaving a 9.6 per cent reduction in operating profits to FFr6.05bn.

The number of employees fell 3.8 per cent to 44,665. However, staff costs were up 1.7 per cent to FFr7.77bn. Other administrative costs rose 2.1 per cent to FFr5.38bn and depreciation charges increased 9 per cent to FFr677m.

Balance sheet assets rose 5.2 per cent to FFr1.53bn in the half. There was a 6.4 per cent increase in revenues, excluding certificates of deposit, to FFr394m, and an 8.4 per cent jump in share capital to FFr45.4m. However, client deposits fell 1.9 per cent to FFr651m from FFr663m.

Engineering side holds back Sulzer

By Ian Rodger in Zurich

Sulzer, the Swiss heavy engineering and medical technology group, yesterday reported a depressed SFr34m (US$26.5m) net profit for the first half of 1994, on sales up 3 per cent at SFr2.68bn.

As it was the first full interim income statement published by the group, no comparative figures were given.

Mr Erich Müller, finance director, said sales were abnormally low in the first half, mainly because there was no large contract invoicing by the engineering divisions. He foresaw a better second half, but feared the negative impact of the strong Swiss franc.

Mr Fritz Fahrni, chief executive, softened his forecast, saying net income would at least reach last year's level. In the spring he forecast an increase.

Order intake rose 3 per cent in the first half to SFr3.2bn, a 6.5 per cent rise in local currencies. Mr Fahrni said the positive trend had continued so far in the second half.

Rüti, the troubled textile machinery subsidiary, is expected to make an operating profit this year, thanks to lower costs and steady sales. The Infra building equipment division has suffered a 10 per cent slide in orders, but is likely to maintain its profit. Sulzer Medica, which makes artificial human body parts, raised first-half sales by 4.4 per cent, in spite of the pressure in many countries on health care costs. Its sales and profit growth is expected to follow the recent trend.

The Winterthur division, which makes locomotives and hydraulic turbines, was held back by restructuring charges.

Mercedes merger to cut cost of components

By Christopher Parkes in Frankfurt

Mercedes-Benz is to spin off its German engine valve factory into a DM530m ($344m) ground-breaking joint venture designed to reduce component costs.

In the third such deal in as many months, its Bad Homburg works, which provides valves for all the group's cars and commercial vehicles, will be merged into a new company, MWP.

The move follows agreements under which Keiper Recaro is to take charge of car seat manufacture at the Daimler Benz subsidiary's Bremen factory, and Mercedes' own production of power-steering units is to be merged with that of ZF.

The deals are the earliest results of a shift in the group's components supply and manufacturing strategy, outlined earlier this year by Mr Werner Niefer, chairman.

They will reduce the degree of vertical integration within Mercedes, generate cost reductions as a result of greater economies of scale, and ensure that the vehicle maker can maintain direct control over quality.

MWP, for example, will combine the various component operations of Mahle-Wizemann and Pleuco with those of Mercedes, and manufacture complete valve systems to be installed as a single unit on the assembly line.

The so-called "system supplier" grouping, with aggregate annual sales of DM530m and 3,100 employees, will supply other customers as well as Mercedes from factories in Europe, Asia, and North and South America.

Although the Mercedes factory employs only 650 people, it is the third largest engine valve supplier in Europe. Pleuco is market leader in the US and Europe for valve seatings, turbo-charger parts and other components.

Earlier this month, Keiper Recaro management moved into the car assembly plant at Bremen and took over its seat manufacture operations.

IBM and Hewlett in fresh marketing war

By Louise Kehoe in San Francisco

International Business Machines and Hewlett-Packard, the two largest US computer companies, are engaging in a gloves-off brawl over leadership in the $43bn mid-range computer market.

HP threw the first punch last week when it announced an aggressive marketing program to lure customers away from IBM's AS/400 computers with discounts of up to 30 per cent for those willing to trade their IBM models for HP machines.

In magazine advertisements HP is claiming that the future of the AS/400, one of IBM's most profitable product lines, is in doubt. "But I see no clear future here," says a fortune teller gazing at a black box, the trademark colour and shape of the IBM computer.

HP also claims it has persuaded 11 of the top 15 software developers to rewrite programs designed for the AS/400 to work on HP computers, removing the biggest barrier to switching from IBM to HP computers.

IBM struck back this week with its own two-page newspaper advertisements, challenging HP's claims and vowing to match HP price discounts. "Nice try, HP," the advertisements read. "To become number one in the business computer market it takes more than just shooting at the leader."

IBM, which is also distributing a seven-page "fact sheet" to customers, business partners and its sales force, claims HP's minicomputer line is facing the end of its technological life cycle, prompting the discounts. "We will meet or beat any offer that HP puts on a customer's table."

Intense competition is nothing new in the mid-range computer market, where HP, IBM, Digital Equipment and others have been dueling for many years. This specifically targeted marketing battle is, however, unprecedented and reflects HP's determination to overtake IBM in a lucrative, high-growth segment of the computer market.

HP dismissed IBM's counter attack. Its claims that HP technology was running out of steam, "sounds like something a desperate product manager put together over the weekend", the company said.

HP is attempting to hit IBM at a time when the market leader is most vulnerable. IBM's AS/400 sales weakened in the first half of this year, particularly in Europe, but have picked up in recent weeks, according to market analysts.

Henkel to be president of German industry body

By Michael Lindemann in Bonn and Alan Cane in London

Mr Hans-Olaf Henkel, who resigned unexpectedly three weeks ago as European head of International Business Machines, the US computer manufacturer, will be elected president of the Federation of German Industry in November.

He is sole candidate for the post, considered to be the most important and influential in German industry. Mr Klaus Asche, chief executive of the Hamburg-based Holsten Brewery, had been the frontrunner for the job but stepped down when Mr Henkel declared an interest.

Mr Henkel is believed to have been the unanimous choice of the Federation's seven vice-presidents, each representing an important sector of German industry.

The Federation (Bundesverband der Deutschen Industrie or BDI), however, is smarting from what it sees as the indifference of Chancellor Helmut Kohl's administration towards German industry.

The organisation has sought to get politicians to lobby harder for German companies on trips abroad, pointing to the contracts won by British and French companies who have enjoyed more political support. Mr Henkel's election is seen as a move to give the organisation a sharper edge.

The appointment should also dampen speculation that he left IBM, recovering after several years of losses, because of disagreements with Mr Lou Gerstener, IBM chairman, over corporate strategy.

Observers questioned whether IBM's new structure, which emphasises commercial sectors over country management, would have weakened his authority.

Mr Henkel has told analysts that such speculation was nonsense, pointing out that he will remain chairman of IBM Germany after taking up the BDI presidency on January 1.

Mr Henkel, 54, takes over from Mr Tyll Necker, who is stepping down after a third two-year term. Mr Necker, 64, came to the rescue of the organisation after Mr Heinrich Weiss, his predecessor, left – furious that the BDI was being paid so little attention.

The BDI's determination to choose a leader with clout is underlined by Mr Henkel's atypical background. He has been neither head nor owner of a large German company and will be the first senior executive from an international company to hold the post.

He has already built a reputation in Germany for decisive action by taking IBM out of the nationwide collective wage talks run by the IG Metall Union, and by introducing Sunday working, an example of workplace flexibility which is almost unheard of in Germany.

In contrast, Mr Necker, head of a Mittelstand company making cleaning machinery, was known as a man who preferred a less confrontational approach.

Yesterday it became known that Mr Henkel has also accepted the post of chairman of the Berlin airports authority, a job which will also wield considerable political influence.

Hans-Olaf Henkel: believed to be unanimous choice

AIG steps in to bolster earthquake-hit insurer

By Richard Waters in New York

American International Group, the insurance company, yesterday stepped in to support 20th Century Industries, a Californian insurer whose capital base had been strained by $815m of losses from the Northridge earthquake.

AIG said it was injecting $200m in the form of convertible preference shares and acquiring warrants to buy another 16m shares.

The deal would give the US's biggest property/casualty insurer rights to nearly 40 per cent of 20th Century's ordinary shares.

20th Century was the worst-hit of the insurers affected by January's earthquake in southern California. At first it put its losses at $160m, but has since increased that estimate on a number of occasions. Total insured losses are now put at about three times the insurance industry's original estimate of $7.5bn, as all insurers have discovered deeper structural damage to property than they originally expected.

Under an agreement with Mr John Garamendi, California insurance commissioner, 20th Century has already retreated from the homeowners insurance market in California, the source of its problems.

For AIG, the deal represents a way into the auto insurance market in California, the largest in the country. 20th Century is the fifth largest auto insurer in the state and one of the most efficient, with a ratio of expenses to income of only 11 per cent, AIG said.

Under the plan, which will involve AIG naming two directors to the company's board of 12, the two insurers will expand into auto insurance markets outside California.

20th Century's shares climbed $1⅝ yesterday morning to $11¼, close to the $11.33 conversion price of the 9 per cent preferred stock bought by AIG. The warrants are exercisable at $13¾ a share.

Siecor makes $135m purchase

Siecor, a joint venture between Germany's Siemens and Corning of the US, has agreed to pay $135m cash for various telecommunications hardware and components businesses presently owned by Northern Telecom, the Canadian telephone equipment maker, writes Bernard Simon.

The deal will expand both the size and product range of Siecor's components business, adding plants in Mexico, Puerto Rico and Canada.

India to relaunch international sale of telecom equity

By Stefan Wagstyl in New Delhi and Antonia Sharpe in London

India is preparing to revive the postponed international equity offering by VSNL, its international telecommunications monopoly, following the recent successful issue by Pakistan Telecom which attracted $900m from international investors.

In meetings in Bombay this week, VSNL – which is 85 per cent state-owned – provisionally agreed for the issue to be relaunched by the winners of the original mandate, Kleinwort Benson and Salomon Brothers, and Jardine Fleming, whose handling of the Pakistan Telecom sale has been widely praised.

The bankers have indicated that they are ready to underwrite VSNL's offer of 17.5m shares at between Rs1,100 ($35) and Rs1,200 a share. This figure is well below the price of Rs1,400 which the government saw as a minimum when it launched the offer last May.

It seems that Indian officials have reluctantly accepted that investors regarded the original offer as overpriced, and they now seem ready to agree to the lower figure.

The original issue failed partly because of the ambitious pricing but also because investor sentiment turned against emerging markets following the rise in interest rates in the US.

Investment bankers now see a window of opportunity but warn that VSNL will have to move quickly because it was essentially relaunching a stale deal. "It would be better to go sooner rather than later because the demand might not be there in a couple of months," said one banker.

At the lower price, the government will receive about $650m from the offering – significantly less than the $1bn it had hoped to raise in May. If investor demand is sufficiently buoyant, a "green shoe" option of an additional 2.5m shares will be exercised.

Bankers hope the Indian cabinet will approve the issue in the next few days. The board of VSNL is expected to rubber-stamp the deal at a meeting tomorrow.

Hegemann group joins bidding for Eko Stahl

By Judy Dempsey in Berlin

The Bremen-based Hegemann group has put in a formal bid to buy eastern Germany's largest steel mill from the Treuhand privatisation agency, Treuhand officials said yesterday.

However, unlike Cockerill Sambre, the Belgian steel producer, which earlier this week confirmed that it was interested initially in acquiring a 60 per cent stake in the mill, Hegemann appears prepared to buy the entire Eko Stahl complex, which is based in Brandenburg state.

Officials said that Hegemann, which has interests in construction, steel and shipbuilding, would guarantee about 2,300 jobs directly in the mill and invest between DM1.1bn ($710m) and DM1.2bn, but the level of investment would depend on the amount of state and government subsidies it receives.

The attraction of subsidies, as well as a wish to stem foreign competition, could be one of the reasons why Hegemann is interested in Eko Stahl, a steel analyst said.

The Treuhand is expected to reply to Cockerill Sambre's bid by October 10, but the agency would not say when it would be replying to Hegemann.

The east German mill produced 900,000 tonnes of steel last year, a fall of nearly 1.2m tonnes since it was placed under the agency's control in 1990.

CRA rules out deal over 'three mines' plan

By Nikki Tait in Sydney

CRA, the Australian mining group in which Britain's RTZ has a 49 per cent stake, yesterday refused to make concessions over its industrial relations policy in return for a possible easing of the country's restrictions on uranium mining.

The issue had arisen at the ruling Australian Labor party's conference in Hobart, where there has been talk of delegates approving a relaxation of Australia's long-standing "three mines" policy. This limits uranium mining to three mine sites, one of which is now worked out.

If the policy was changed, CRA would be one of the mining companies holding known uranium reserves which might then be developed.

Some union delegates who hold key votes have sought to link concessions on uranium mining to CRA's industrial relations policy, which has encouraged employees to move towards individual staff agreements and away from centralised awards.

Yesterday CRA said that "the company's policy of offering the choice to its award employees, at some locations, to work under staff conditions would not be affected by current debates about the future of the ALP's 'three mines' policy".

CRA considered the two issues be be "unrelated", and added that "the use of uranium policy as a backdoor means of achieving industrial relations objectives" was "wrong".

The stand-off seems to suggest that any revision of the three mines policy is unlikely, although it is possible that the expansion of uranium mining to other non CRA-owned sites might still be considered.

● Broken Hill Proprietary, the Australian steel and resources group, has won a second licence for the construction of a steel roll-forming plant in China. Work on the A$12m (US$8.8m) plant will begin in October in the Guangzhou Economic and Technological Development district.

Jardine outlines terms of Singapore trading

By Louise Lucas in Hong Kong

Jardine Matheson, the holding company for the diversified group of Jardine companies, yesterday outlined the arrangements it has put in place for investors to trade on the Singapore stock exchange following its withdrawal from Hong Kong.

Jardine companies have been listed on the Singapore exchange for three years but have never been traded there. However, Jardine directors believe this will become the natural market for trading from Hong Kong because the two markets are in the same time zone. Other listings are in London, Luxembourg and Australia, but stock is only traded in London and the colony.

The company will bear the costs of switching out off the Hong Kong clearing and settlement system and into the Singapore system.

It has further arranged with nine local brokerages to levy a maximum commission charge of 0.5 per cent on retail transactions in shares of the companies. Normally, foreign brokers would need to pay this amount to the Singaporean brokerage, but under the Jardine arrangements selected brokerages say the Singaporean party will take 0.25 per cent.

Shareholders will still find the cost of dealing more expensive than in Hong Kong, where the normal trade levy is 0.42 per cent including stamp duty and transaction levy at participating brokerage G.K. Goh Securities.

Singapore charges a clearing fee of 0.05 per cent on the transaction value, but non-Singaporean investors are exempted from other fees.

The arrangements initially effect shareholders of Jardine Matheson and Jardine Strategic, which delist on December 31. They will extend to Dairy Farm, Hongkong Land and Mandarin Oriental International when they switch on March 31 next year.

Jardine's directors dismiss concerns of illiquidity in the Singapore market, which at the end of July had a market capitalisation of US$137bn compared with Hong Kong's US$312bn. Average daily turnover in Singapore – at S$675m (US$456m) according to Jardine – is not far off current Hong Kong levels, but half of that achieved in the final quarter of last year.

William Barnes reports on two developers switching from satellite cities to skytrains

Thai property tycoons take to the rails

Two rival Sino-Thai brothers known for their grandiose property development schemes are again courting controversy in Bangkok with plans to build $4bn worth of elevated urban railways across the Thai capital.

The move into transport projects by Mr Anant Kanjanapas, 52, president of Bangkok Land, and his brother Mr Keree Kanjanapas, 44, executive chairman of Tanayong, comes at a time when properties in their satellite cities on the outskirts of Bangkok are proving difficult to sell to the public.

The brothers say they are business visionaries; their critics claim their business ventures are often too ambitious and poorly executed.

The satellite cities – the core of both companies – are being built on land acquired in the 1960s and 1970s by the patriarch of the family, Mr Mongkol Kanjanapas, now 73, a Chiuchou Chinese who immigrated to Thailand in the 1930s.

Tanayong and Bangkok Land were listed in March 1991 and February 1992 respectively, after the brothers returned to Thailand from an extended period in Hong Kong. Much of the family business is still in Hong Kong, where the family name is Wong.

Inspired by the success of Hong Kong's satellite cities, each brother developed a new town in Bangkok dominated by high-rise buildings, but Thais appear reluctant to move into such complexes.

Bangkok Land's 640-hectare Muang Thong Thani city, on the capital's northern outskirts, is planned as a self-contained community with a hotel and a university; Tanayong's 243-hectare Thana City includes a prominent golf course.

Mr Anant says: "By the end of this year there will be more than 10,000 families in Muang Thong Thani ... there will be tremendous life and 50,000 jobs. It will be the best part of Bangkok in every respect."

But one property analyst for a Bangkok stockbroker recently wrote that Muang Thong Thani is "a dreadful place lacking character and soul.

"The fact that no one's living there doesn't help."

'Muang Thong Thani city is a dreadful place . . . the fact that no one's living there doesn't help'

The largest project – 27 "popular condominium" towers containing 26,000 apartments for low-income earners – is nearly completed, but only about 10 per cent of the units have been occupied.

Similar and cheaper homes in more modest schemes are available nearby. Bangkok Land has been giving away a car worth Bt160,000 ($6,400) with every Bt513,000 apartment to attract buyers.

Only two of eight "industrial condominium" towers have been transferred to the buyers, although the project was completed in June 1993 and subsequently reported by Bangkok Land to be 100 per cent sold.

"They are too good for Thai manufacturers who aren't used to multistorey factories," says Mr Anant. Two of the industrial buildings are to be converted into commercial complexes "with a convention centre as big as Singapore's", he said.

Bangkok Land, like Tanayong, has previously booked partial payments as complete sales in its accounts, a practice which could punch awkward holes in the companies' cash-flow if large numbers of buyers walk away from their often modest initial payments.

Bangkok Land reported a 3 per cent rise in consolidated net profits to Bt5.03bn for the year to end-March 1994, but total sales for the year fell 25 per cent to Bt12.7bn from Bt16.8bn in 1993, while net debt grew to Bt20bn in March from Bt16bn in December.

Accounts receivable (money promised by buyers but not yet paid) stood at Bt26.8bn – nearly all on completed property.

By one stockbroker's estimate, 45 per cent of Bangkok Land's 1994 gross profit may have come from sales from its extensive land holdings.

Tanayong's net debt is a relatively comfortable Bt500m and accounts receivable amount to Bt6.2bn, but Mr Keree admits he was forced to relaunch Thana City, on the eastern side of Bangkok.

"We've had to make them more affordable after the property market's consolidation," he said. "Unless and until the traffic situation improves people are going to find it easier to live in more accessible areas."

Tanayong's consolidated profits dropped 53 per cent in the year to March 1994 to Bt257m; there is also still no sign that significant strategic diversification – promised at the time of its flotation – will come about soon.

Tanayong and Bangkok Land have both rediscovered the virtues of the city centre: Tanayong's three "Regent" towers, with a total of nearly 1,200 apartments, have sold quickly. Meanwhile, Bangkok Land has launched "Grand Metro" – three towers of 2,000 apartments with extensive retail space.

In-fighting and planning inertia has delayed mass transit railways in the capital for decades

Despite their unresolved difficulties with the Bangkok property market, both companies have plunged into the swamp of bureaucratic in-fighting and planning inertia that has delayed the development of mass transit railways in the capital for decades.

Mr Keree says the move into transport is "quite logical. We realised a long time ago that infrastructure problems were hindering our business, hindering the country."

City mass transit systems around the world rarely if ever make a profit. Yet Tanayong's 24km inner-city rail franchise is unsubsidised and has no significant sweeteners in the form of concessions to develop property along the route, unlike some other schemes.

Siemens, of Germany, recently replaced the Anglo-French GEC Alsthom consortium as lead contractors for the train system. Tanayong's transport subsidiary said GEC Alsthom could not provide a satisfactory financing package.

Mr Anant of Bangkok Land has spoken of plans to build Asia's tallest building – a 90-storey office and residential tower over the depot of Bangkok Land's 20km "Skytrain" franchise.

The two brothers and their companies could profit from rapid flotations of their transport subsidiaries on the Thai stock exchange.

"With BoI [board of investment] tax privileges they can be listed immediately on the stock market without any earnings or a track record," says Mr Neil Semple, research manager for HG Asia in Bangkok.

But both transport projects – designed independently of each other – have been delayed in recent months by demands from environmentalists that the railways go under rather than above ground.

Mr Anant remains defiant in the face of criticism of housing and railway schemes. "Leave me alone. Let me do it," he says. "I will deliver. Let me prove it."

INTERNATIONAL CAPITAL MARKETS

Treasuries steady as Fed considers rates move

By Frank McGurty in New York and Martin Brice in London

US Treasury bonds held fairly steady yesterday morning as the Federal Reserve's policy-making arm considered the merits of a sixth increase in short-term interest rates this year.

By 1pm, the benchmark 30-year government bond was ¼ lower at 96$\frac{22}{32}$ with the yield rising to 7.805 per cent. At the short end, the two-year note was off $\frac{1}{32}$ at 99$\frac{17}{32}$, to yield 6.492 per cent.

At the opening, the uneasy calm which had dominated the previous session held prices close to their starting values. Traders were generally reluctant to make fresh commitments until receiving news about any decision reached by members of the Fed's Open Market Committee, who were meeting in Washington.

Most observers were expecting the central bank to opt for delaying its next move to tighter credit conditions until after the November elections. An announcement from the Fed was expected during the early afternoon.

Early trading was complicated by the government's auction of $17.25bn in new two-year notes, scheduled to begin at 1pm.

Primary dealers, who are authorised to participate in such sales, attempted to drive down prices at the short end in an effort to wrest concessions from the Treasury when it awarded the issue.

That strategy proved to be marginally successful, as bond prices across the maturity range dipped in light trading.

The downturn might have been steeper but for some positive economic news. The Conference Board said its index of consumer confidence had fallen this month to 88.4, against a reading of 90.4 in August.

The fall in the index, which had been expected to show little change on August, encouraged the notion that consumer inflation was still not a threat to the value of fixed-rate investments.

GOVERNMENT BONDS

The favourable surprise lent some support to the market, but its effect was to build a floor in prices, rather than provide a springboard for an advance.

However, the tone was expected to shift dramatically in one direction or the other as the afternoon's events unfolded.

■ Trading in European bond markets was very thin yesterday, with few investors prepared to commit themselves before knowing the impact on US interest rates of the Federal Open Market Committee meeting in the US.

■ German government bonds shrugged off data showing that year-on-year inflation in the month to mid-September was 2.9 per cent, a fall from the previous month's figure of 3 per cent.

"The market is waiting on the FOMC and has completely ignored these good inflation figures," said Mr Pio de Gregorio, European economist at NatWest Markets in London.

The market will be watching today's Bundesbank council meeting for a change in interest rates, but Mr de Gregorio said that he did not think there would be a change in rates before the German election on October 16.

The December bund future was around 89.01 in late trading, up 0.09 points on the day.

■ The yield on 10-year Italian government bonds fell 7 basis points to 11.76 per cent yesterday.

Mr André de Silva of PaineWebber said the optimism was prompted by hopes that trade union agreement on a cut in spending on pensions would allow the government to reduce its deficit.

■ UK government bond trading languished in the shadow of the FOMC meeting and today's 10-year gilt auction.

Mr Robert Thomas at NatWest Markets said he expected the auction to meet with good demand, but added that other gilts were being sold in order to buy the auction stock. He said: "This is not new money coming into the market."

Mr Kevin Adams at BZW expected the auction to be covered between 1.5 and 2 times, but added that the switching out of other gilts may mean "the after-market may be very heavy water".

This meant that if the Fed had increased rates, the market could gain in the morning, but trade off in the afternoon. The spread of gilts over bunds could widen to 165 basis points, he said, against 151 yesterday.

France plans to raise FFr20bn in retail bond sales

By John Ridding in Paris

The French government yesterday unveiled details of its plans to open the government bond market to individual investors, announcing that it will sell FFr20bn of bonds to the public in the year from the beginning of October.

The government had intended to offer about FFr10bn in the scheme but strong demand from banks which will serve as the retail network has prompted an increase.

The French economy ministry said that the aim of the scheme was to encourage long term savings by individuals and to provide a facility which is already available in many industrialised economies.

In the US, for example, savings bonds represent about 5 per cent of federal debt. Under the French scheme, foreign individuals will also be able to subscribe to the issues.

Mr Edmond Alphandéry, the French economy minister, denied the move was aimed at reducing the country's dependence on foreign investors, who have reduced their holdings of French bonds this year.

"You have to look at the amounts involved. The total borrowing programme for 1994 is for FFr500bn. In raising FFr20bn from private investors the state is not trying to find a new means to finance its debt," he said.

Mr Alphandéry added that he thought the sale of French bonds by foreign investors was a temporary phenomenon, which was normal in a period of bond market turbulence.

Under the terms of the scheme, investors are to be offered 10-year bonds with a face value of FFr2,000. They will pay banks a fixed commission of 2 per cent. The first bonds to be sold to individuals will have a coupon of 7.5 per cent, while the annual yield is expected to be about 7.8 per cent after commission costs. This compares with a forecast inflation rate of 1.8 per cent for 1995, and a return of just under 5 per cent on money market funds, the most popular savings instrument in France.

Taiwan may scrap GDR offering for China Steel

By Laura Tyson in Taipei

Taiwan may cancel a planned issue of global depositary receipts in state-run China Steel Corp in favour of domestic offerings.

Amid discord over the pace of privatisation of the island's biggest steel-maker, a 450m share offering – 6 per cent of the company's equity – to overseas investors has been postponed indefinitely, Mr Yen Chi-li, spokesman for China Development Corp, which served as the lead underwriter for previous domestic offerings, said yesterday.

The $350m to $400m GDR offering was to have been launched by the end of this year. Instead, the Commission of National Corporations under the Ministry of Economic Affairs has proposed offering another 950m shares to local investors first. The proposal awaits Cabinet approval.

If the market can successfully absorb so large an offering, the government will likely scrap the GDR issue in favour of further domestic offerings.

The government must sell 1.3bn more of its shares to achieve privatisation. Following several tranches of sell-offs, China Steel is now 67.1 per cent government-owned, with the Ministry of Economic Affairs holding most of the government's shares.

Merrill Lynch, which was to manage the GDR issue, could not be reached for comment.

Observers believe market conditions could allow the privatisation to be completed domestically as the stock market traditionally rallies leading up to elections. Key provincial and mayoral elections will be held in early December.

Indover Bank launches three-year FRN

By Graham Bowley

There was a dearth of new eurobond issues yesterday, with bond markets nervous ahead of the US FOMC monetary policy meeting.

Syndicate managers said conditions have worsened in recent days, with eurobond spreads over the underlying government bond market widening most markedly in the dollar and sterling sectors.

INTERNATIONAL BONDS

"The dollar market has recently been underpinned by good retail flows but these have now slowed," said Mr Tim Skeet, senior vice-president at Kidder Peabody.

"The dollar market is suffering from uncertainty caused by the FOMC, quarter-end considerations and the fact that retail flows out of Switzerland and Benelux countries have slowed, particularly at the long-end of the market," he said.

Attention today is likely to turn to Lebanon's debut eurobond offering of $300m of three-year fixed-rate notes, increased yesterday from $150m due to unexpectedly strong demand.

The bonds are expected to carry a coupon of around 10 per cent, yielding around 325 to 350 basis points over US government bonds.

Indover Bank, a Dutch subsidiary of the Indonesian central bank, launched its first foray into the international capital markets with a $125m offering of three-year floating-rate notes, offering a spread of 67½ basis points over three-month Libor.

Lead manager HSBC Markets said 70 per cent of the bonds were sold into Europe, with the remainder placed in South East Asia. "This is the bank's first transaction and it was anxious to come into the mainstream of the market, which at the moment is the short-term, floating-rate dollar sector," it said.

The Kingdom of Belgium's DM1bn offering of five-year bonds, which was launched on Monday, was priced yesterday to yield 25 basis points over German government bonds, which some syndicate managers said was expensive.

Hongkong International Terminals, a subsidiary of Hutchison Whampoa, is expected to launch a $1.74bn offering of 10-year floating-rate notes in the next 10 days.

The notes will carry a coupon of Libor plus 85 basis points, with a call option at the end of the fourth year.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Indover Bank‡	125	(a)	100.00R	Oct.1997	0.35R	-	HSBC Markets
Soc. Gén. Acceptance(b)	75	zero	100.00R	Oct.1995	0.00R	-	Société Générale

Final terms and non-callable unless stated. The yield spread (over relevant government bond)at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +67½bp. b) Redemption proceeds linked to basket of Latin American debt.

Czech fund attracts $66m

By Vincent Boland in Prague

The Prague stock market has received a further boost from international investors after Nikko Securities and Oppenheimer & Co said they had raised $66m for the Czech Republic Fund, with an option to raise a further $10m.

Shares in the fund, which will invest mainly in quoted Czech stocks, were offered internationally, and began trading on the New York Stock Exchange on Monday.

The fund is the first geared to the Czech Republic to have an NYSE listing, and is due to be listed on the Osaka Securities Exchange on October 5.

Japanese investors bought 3m shares and US investors 1,150,000, with a further 250,000 sold internationally, according to Nikko Securities.

The fund will have a minimum of 65 per cent of its assets invested on the Prague bourse, with the rest spread among other markets in central Europe.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.5900	-	10.20	10.10	9.35
Belgium		7.250	04/04	91.8000	-	8.56	8.63	8.35
Canada *		6.500	06/04	84.1000	-0.250	9.00	8.94	8.68
Denmark		7.000	12/04	86.7700	+0.220	9.03	9.22	8.76
France	BTAN	8.000	05/98	101.8750	+0.250	7.36	7.56	7.24
	OAT	5.500	04/04	82.8500	-0.030	8.14	8.21	7.86
Germany Treu		7.500	09/04	99.2000	+0.050	7.62	7.71	7.19
Italy		8.500	08/04	82.8400	+0.330	11.45†	11.81	11.55
Japan	No 119	4.800	06/99	103.8440	+0.040	3.84	3.91	4.14
		4.100	12/03	97.4580	+0.220	4.49	4.55	4.77
Netherlands		5.750	01/04	88.3300	+0.070	7.54	7.64	7.25
Spain		8.000	05/04	82.0800	+0.260	11.10	11.37	10.93
UK Gilts		6.000	08/99	89-12	+1/32	8.71	8.83	8.34
		6.750	11/04	85-20	-4/32	8.92	9.02	8.50
		9.000	10/08	100-30	-4/32	8.88	8.97	8.52
US Treasury *		7.250	08/04	97-25	-6/32	7.57	7.52	7.21
		7.500	11/24	96-15	-8/32	7.80	7.80	7.48
ECU (French Govt)		6.000	04/04	82.9300	+0.070	8.69	8.81	8.35

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime / Treasury Bills and Bond Yields

		One month	4.63	Two year	6.51
Prime rate	7¾	Two month	4.75	Three year	6.80
Broker loan rate	6½	Three month	4.92	Five year	7.19
Fed.funds	4$\frac{11}{16}$	Six month	5.48	10-year	7.57
Fed.funds at intervention	-	One year	5.90	30-year	7.81

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.60	110.66	-0.06	110.76	110.44	82,667	129,283
Mar	109.86	109.92	-0.06	109.92	109.86	53	7,198
Jun	109.16	109.20	-0.08	109.16	109.16	6	350

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Dec	PUTS Mar
110	-	1.82	2.15	0.16	1.18	2.20
111	0.22	1.27	-	0.60	1.62	-
112	0.03	0.83	-	-	2.14	-
113	0.01	0.50	-	-	2.88	-
114	-	0.30	-	-	3.57	-

Est. vol. total, Calls 10,857 Puts 10,736 . Previous day's open int., Calls 248,957 Puts 327,845.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.76	89.00	+0.08	89.05	88.72	60697	143319
Mar	88.18	88.32	+0.08	88.30	88.13	595	1348

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
8900	0.83	1.16	1.00	1.33	0.83	1.16	1.68	2.01
8950	0.60	0.91	0.79	1.11	1.10	1.41	1.97	2.29
9000	0.41	0.70	0.62	0.91	1.41	1.70	2.30	2.59

Est. vol. total, Calls 12952 Puts 7496. Previous day's open int., Calls 191959 Puts 184995

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.79	99.63	+0.63	99.90	98.30	48260	64016
Mar		99.08	+0.63			0	735

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
9950	2.05	2.93	1.92	3.35
10000	1.78	2.70	2.15	3.62
10050	1.53	2.49	2.40	3.91

Est. vol. total, Calls 2376 Puts 4017. Previous day's open int., Calls 12159 Puts 17052

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.10	86.78	+0.55	86.80	86.03	34,820	72,632

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99-17	99-26	-0-04	99-25	99-17	169	18150
Dec	98-31	99-01	-0-03	99-06	98-22	32151	91829
Mar		98-13	-0-03			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
99	1-54	2-38	1-52	3-12
100	1-22	2-11	2-20	3-49
101	0-61	1-51	2-59	4-25

Est. vol. total, Calls 2330 Puts 3582. Previous day's open int., Calls 49964 Puts 32834

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	79.56	79.86	+0.08	79.86	79.48	1,657	8,317

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	99-08	99-07	-0-02	99-09	99-02	164,412	393,470
Mar	98-18	98-16	-0-03	98-19	98-12	9,451	15,463
Jun	97-27	97-23	-0-02	97-27	97-23	11,235	833

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.58			108.68	108.53	1610	0
Mar	107.80			107.80	107.80	10	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Sep 27	Day's change %	Mon Sep 26	Accrued interest	xd adj. ytd		Low coupon yield Sep 27	Sep 26	Yr. ago	Medium coupon yield Sep 27	Sep 26	Yr. ago	High coupon yield Sep 27	Sep 26	Yr. ago
1 Up to 5 years (24)	119.15	+0.10	119.21	1.77	8.39	5 yrs	8.81	8.82	6.24	8.88	8.87	6.53	9.01	9.02	6.73
2 5-15 years (21)	136.71	-0.07	136.81	1.76	9.88	15 yrs	8.79	8.77	7.12	8.93	8.91	7.27	9.14	9.12	7.50
3 Over 15 years (9)	151.63	-0.25	152.00	1.96	9.81	20 yrs	8.72	8.69	7.25	8.93	8.91	7.33	9.01	8.99	7.52
4 Irredeemables (6)	174.12	-0.41	174.84	3.31	8.63	Irred.†	8.76	8.71	7.41						
5 All stocks (60)	134.55	-0.05	134.68	1.83	9.42										

Index-linked							Inflation 5% Sep 27	Sep 26	Yr. ago	Inflation 10% Sep 27	Sep 26	Yr. ago
6 Up to 5 years (2)	184.32	-0.02	184.35	-0.08	5.07	Up to 5 yrs	4.06	4.06	2.54	2.94	2.91	1.73
7 Over 5 years (11)	171.07	+0.09	170.92	0.74	3.95	Over 5 yrs	3.93	3.94	3.19	3.74	3.74	3.01
8 All stocks (13)	171.57	+0.08	171.44	0.86	4.04							

Debentures and Loans						5 year yield Sep 27	Sep 26	Yr. ago	15 year yield Sep 27	Sep 26	Yr. ago	25 year yield Sep 27	Sep 26	Yr. ago
9 Debs & Loans (76)	125.33	-0.33	125.74	2.47	8.15	9.91	9.89	7.62	9.85	9.82	8.17	9.79	9.75	8.31

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 27	Sep 26	Sep 23	Sep 22	Sep 21	Yr ago	High*	Low*
Govt. Secs. (UK)	90.10	90.27	90.23	90.08	89.71	101.87	107.04	89.54
Fixed Interest	107.17	107.20	107.09	106.67	106.50	122.66	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 26	Sep 23	Sep 22	Sep 21	Sep 20
Gilt Edged bargains	101.0	115.1	122.3	91.8	137.9
5-day average	113.8	114.3	112.8	104.4	102.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 27

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89¾	90	-⅛	8.19
Alberta Province 7⅞ 98	1000	100½	100¾		7.47
Austria 8½ 00	400	103⅝	103⅞		7.63
Bank of Tokyo 8⅜ 96	100	101¾	102⅛		7.06
[illegible]					
United Kingdom 7¼ 97	5500	100¾	100⅞		6.84
Volkswagen Intl Fin 7 03	1000	94⅛	94½	+⅛	7.95
World Bank 0 15	2000	19½	20		8.00
World Bank 5⅞ 03	3000	88	88⅛	-⅛	7.76
World Bank 8¾ 00	1250	109⅝	110⅛	+⅛	8.61
[illegible]					
Abbey Natl Treasury 8 03 £	1000	89⅞	90⅛		9.79
Alliance Leics 11⅜ 97 £	100	105⅜	105⅞		8.93
British Land 8⅞ 23 £	150	86⅛	86⅝	-⅛	10.67
Denmark 6¾ 98 £	800	92⅝	92⅞	+⅛	9.07
EIB 10 97 £	637	102¾	103⅛		8.61
[illegible]					

SWISS FRANC STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price. † Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts* (Lives up to Five Years)						
Treas 8pc 1994‡‡	8.98	5.58	100$\frac{3}{32}$	—	103$\frac{11}{32}$	100$\frac{3}{32}$
12pc 1995	11.76	5.77	102	—	107⅝	102
Exch 3pc Gas 1990-95	3.05	5.85	[illegible]			
[illegible]						

Medium-dated, Over Fifteen Years, Undated, Index-Linked and Other Fixed Interest sections: [illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

House of Fraser loss deepens

By David Blackwell

Flotation costs of £8.5m pushed House of Fraser, the department store group, deeper into the red at the halfway stage.

The pre-tax loss for the six months to the end of July grew from £800,000 to £4.5m, on total sales 7 per cent ahead at £325.6m (£304.7m).

On a like-for-like basis, operating profits were 11 per cent higher at £3.4m on a 10 per cent sales increase.

Mr Andrew Jennings, managing director, said the store refurbishment programme was on schedule, and he was facing the crucial last four months of the year "with enthusiasm and confidence". The shares, 180p at the April flotation, closed up 4p at 211p.

Operating profits almost doubled to £7.1m (£3.6m), boosted by business rate refunds of £3.7m. The group expects a further £2m of rate refunds this year.

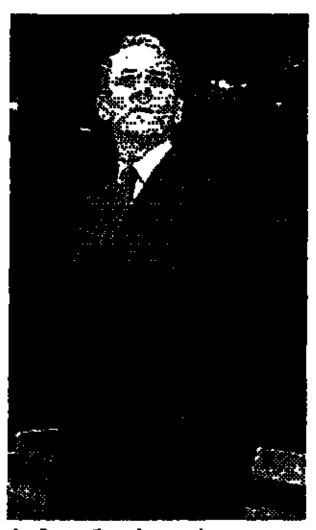
Mr Richard Scott, finance director, said the like-for-like improvement reflected aggressive marketing and better focusing on more profitable markets. He described the 10 per cent sales rise as a "good achievement when you consider there has been practically no inflation".

The four stores opened since 1990 had shown a 23 per cent rise in sales, while the Lakeside Thurrock store was 29 per cent ahead.

A 14 per cent rise in sales of ladies' and men's fashion – a key part of the group's strategy – was balanced by slow growth in furniture.

The group spent £3.5m promoting its in-house credit card, lifting the number of active cardholders from 475,000 to 641,000. Cardholders now account for 30 per cent of sales, and spent 25 per cent more than the average customer.

The figures included an £800,000 gain on a property disposal and interest payments of £3.9m (£3.6m).



Andrew Jennings: store refurbishment on schedule

A maiden interim dividend of 1.7p has been declared. The loss per share before exceptional items was 1.2p (0.2p), but excluding exceptionals, earnings per share were 1.3p (0.1p).

● COMMENT

Stripping out exceptionals leaves House of Fraser with a loss of £500,000 – a flat result, reflected in the level of the dividend which the City had hoped would be nearer 2.4p. Sales were down in August but started to improve this month, and the benefit of the refurbishments will show through in the run-up to Christmas.

However, a 1.2 percentage point improvement in bought-in margins has disappeared in mark downs, mainly on fashion items, while a discount of 10 per cent on the first purchase with a Frasercard has cost £3.5m. The move to maturity of the four stores opened since 1990 is a big factor behind the improved like-for-like figures. Forecast profits of £45m for the full year, rising to £52m for 1995-96, give forward multiples of 16.5 and just under 14 – a 9 per cent premium to the sector which is high enough.

Ashbourne to raise £50m via flotation

By Tim Burt

Ashbourne Holdings, one of Britain's largest nursing home businesses, yesterday announced plans for a stock market flotation valuing the company at between £80m and £90m.

The company, born out of a management buy-out from Stakis, the hotels and casino group, aims to wipe out its debts by raising up to £50m from a placing and open offer.

Since the buy-out, its ability to expand has been hampered by net borrowings of £49m inherited from Stakis, carrying interest rates of between 5 per cent and 20 per cent.

If fully taken up, the share issue – sponsored by Charterhouse Bank with Cazenove acting as brokers – should enable the group to embark on an ambitious expansion programme.

"Ashbourne has the largest proportion of private patients in the industry and we want to exploit our market share at new sites," said Mr Tom Hamilton, chief executive.

The group, which currently operates 19 nursing homes, is keen to buy building land around London and develop existing sites acquired before Stakis sold the business for £50m.

Further expansion would be funded by up to £30m of fresh borrowing, of which between £10m and £15m has been set aside to build three three new nursing homes next year.

Growing demand for such homes helped lift operating profits from £4m to £5.5m in the 12 months to October 3 last year, and Mr Hamilton said profits this year should reach £6m on turnover of about £23m (£21.6m).

"The company has substantial unutilised tax losses which will mean it is unlikely to pay any mainstream corporation tax before 1997," he added.

Mr Hamilton declined, however, to say whether the company's institutional investors – led by Electra Kingsway – had decided to sell their stake as part of the placing and open offer.

Acatos £27m alliance with US agribusiness group

By Andrew Bolger

Acatos & Hutcheson, the edible oil and fat manufacturer, is forming a strategic relationship with Archer Daniels Midland, the US agribusiness group which supplies A&H's biggest refinery in London's Docklands.

ADM is injecting £27m into A&H through buying 9.5m new shares in the UK group, representing 22.5 per cent of its enlarged equity.

A&H is also forming a 50-50 joint venture with the US group to build and operate an edible oil refinery and bottling and canning plant beside ADM's existing oil seed crushing plant at Erith in Kent.

A&H is the biggest supplier of own-label food oils and margarine in the UK, with about a 30 per market share.

The new investment will enable it to become one of the lowest cost producers in Europe.

It has long wanted to link with an international company as a step to expanding beyond the UK, and this is an objective the ADM link would achieve, said Mr Ian Hutcheson, chairman and chief executive.

ADM is one of the largest agricultural products companies in the world with 165 operating plants.

Some £14m of the subscription proceeds will be used to pay for A&H's share of the costs of building the refinery and the bottling and canning plant and for the redevelopment of A&H's existing facilities to concentrate hard oil refining at Orchard Place, in London's Docklands. A further £10m will be used for the construction of the new packing factory at Orchard Place.

ADM is subscribing for shares at 288p, the level at which they closed before the deal was first flagged in August.

A&H's shares yesterday closed 1p lower at 289p.

A&H also announced that agreement has been reached for a reconstruction of the 38 per cent shareholding in the group currently controlled by Acatos Limited, a private company which owns the shares previously owned by Mr Hutcheson, his family and other parties.

A&H will acquire the entire share capital of Acatos in exchange for new shares in the group. After the reconstruction and ADM's subscription, the Hutcheson family trusts will own 17.7 per cent of the group's enlarged share equity and Mr Hutcheson will own 8.3 per cent.

Sycamore's £1.7m financing deal to proceed

By Caroline Southey

Sycamore, the laboratory, office and garden furniture manufacturer, said the principal parties had agreed, with some amendments, to go ahead with the financing package announced in August.

The deal involves the issue of £1.7m convertible loan stock. Royal Bank of Scotland and Tufton Capital, a corporate recovery specialist, who have agreed to subscribe to the new stock, will make the funds available to Deanes Furniture, a wholly owned subsidiary of Sycamore, which will make advances to its parent.

Part of the long-term finance will be a secured loan and the balance a convertible loan which will enable holders to convert into 80 per cent of the enlarged capital of the company or, in certain circumstances, Deanes.

Shareholders will not be invited to subscribe new capital at this stage. They will be given the opportunity to subscribe to new shares after the interim results for the year to March 30 1996 are released.

Baltic lifted to £3.95m

By Christopher Price

Baltic, the specialist finance company, more than doubled pre-tax profits from £1.58m to £3.95m for the six months to June 30.

The results were boosted by £1.6m from the recovery of debts previously written off, lower costs associated with the strategy of moving away from the leasing business, and improvements in margins in non-recourse financing.

Mr Peter Conroy, finance director, said the company was considering new sources of profits, including financial services, to replace the declining leasing portfolio.

Turnover fell 12 per cent to £8.14m (£9.29m), although the decline on continuing operations was just 1 per cent, from £8.24m. Basic earnings per share increased from 1.6p to 8.6p; from 1.2p to 7.6p fully diluted. The dividend rises from 0.5p to 1p.

Improved liquidity enabled Baltic to purchase 3.1m of its shares, resulting in £3.4m being returned to shareholders.

Fortune Oil back in black

Fortune Oil, the oil and gas exploration and production company, could pay its first dividend soon, after reporting interim results showing a return to profit.

The group said the recent capital reconstruction had opened the way for "dividends from future profits" and the board was considering an appropriate dividend policy. However, a decision on a final pay-out had not been taken.

Fortune announced after-tax profits of £578,000 for the six months to June 30 against losses of £163,000. Turnover jumped from £226,000 to £34.1m. Earnings per share were 0.05p (1.63p losses).

Mr Daniel Chiu, chief executive, said he was confident the group would show a significant improvement this year. Fortune also said the mooring terminal in Maoming, south China, in which it had a majority stake, would begin operating some time after November.

Fortune is more than 47 per cent held by Chinese investors.

AromaScan shares fall sharply to 82p

By Simon Davies

Shares in AromaScan yesterday fell 14p to 82p, leaving the shares 18 per cent below their August flotation price. The company, which has developed an "electronic nose" to detect odours, said it was not aware of any reason for the fall.

AromaScan is the second NM Rothschild-sponsored flotation to suffer a slide within the past week. Aerostructures Hamble fell 40 per cent last Wednesday, after the company issued a negative trading statement.

AromaScan, however, claimed that business was on target and that it had suffered no operational difficulties.

Brokers said there had been a steady stream of small sellers, plus rumours that a market maker had built up a large selling position. Turnover on the day was only 90,950 shares.

The company is developing commercial uses for its odour detection technology. Investors were warned in the prospectus that "an investment in the company involves a higher than normal degree of risk".

Halstead advances 14%

By Peter Pearse

James Halstead lifted pre-tax profits and turnover to record levels in the year to June 30 on the back of improved exports by the core floorcovering side and solid progress at Driza-Bone, the Australian stockman's coat company.

The Manchester-based group increased profits by 14 per cent to £9.9m (£8.7m) on turnover up 16 per cent to £69.1m (£59.4m).

Mr Stephen Knight, finance director, said that floorcoverings contributed about two thirds of turnover and "more than that of profit". Some £7.5m, including £6.5m in the year was spent on vinyl flooring technology in the Manchester manufacturing base. He said this would lead to better flexibility to service customer needs, productivity gains, increased capacity, and new products with different mixes and finishes.

Mr Knight said UK sales had risen "marginally". According to its own research, it had held its 55 per cent market share in homogeneous sheet vinyl flooring, without entering discount wars. Exports, however, grew by 30 per cent. The group sells to 46 countries, with Europe, and especially Germany, the strongest markets.

Phoenix, the motorcycle accessories distributor, had turnover of about £8m. It added new products to its roster and, said Mr Knight, benefited from the "greater number of large bikes bought by middle-aged riders". However currency pressures "torpedoed" profits growth. Conway saw further decline in its camping products, offset by good demand for security cabins.

Driza-Bone had a record year with sales of £7m, of which 30 per cent were exported.

A final dividend of 4.75p makes a total 15 per cent higher at 7.5p (6.5p). Earnings grew 11 per cent to 22.5p (20.33p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baltic	int	1	Oct 31	0.5	-	1.5
Baring Emerging	fin	0.2★	Nov 18	-	-	-
Britton Group	int	1†	Nov 16	0.8	-	1.5
Brixton Estate	int	2.95	Dec 7	2.825	-	8
Culver	int	0.13	Oct 27	0.11	-	0.25
Dorling K'sley	fin	2.2	Dec 14	2.2	3.3	3.3
European Smaller	fin	0.56	Nov 8	1.55	0.56	1.55
Goodhead Group	fin	0.05	-	0.05	0.05	0.05
Halstead (James)	fin	4.75	Dec 2	4	7.5	6.5
House of Fraser	int	1.7	Dec 1	-	-	-
Huntleigh Tech§	int	2.75	Oct 3	2	-	4.5
Intermediate Cap	int	3.75	Oct 31	-	-	-
JBA Holdings	int	0.8	Dec 2	-	-	-
Mucklow (A&J)	fin	3.2346	Oct 3	3.14	6.286	6.103
Paramount	fin	0.2†	Nov 18	0.15	0.2	0.15
Schroder Split	int	3.6	-	3.375	-	7.2
Sears	int	1.05	Dec 5	1	-	3.68
Tarmac	int	3	Dec 9	3	-	5.5
TransTec	int	1.3	Jan 16	1.3	-	3.3
Wensum	int	1.5	Nov 21	0.625	-	2
Yule Catto	int	2.8	Nov 24	2.5	-	6.2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ★US cents.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.09.94: Pool purchase price £/MWh	Final Prices for Trading on 21.09.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.66	16.45	18.93
0100	9.66	11.40	13.87
0130	9.68	11.40	13.87
0200	11.27	11.40	13.87
0230	11.27	11.40	13.87
0300	11.27	11.40	13.87
0330	10.20	11.40	13.87
0400	9.66	11.40	13.87
0430	9.68	10.55	10.55
0500	9.68	10.55	10.55
0530	9.66	9.60	9.60
0600	9.68	11.00	11.00
0630	9.66	12.14	14.82
0700	16.63	16.69	19.17
0730	16.69	18.22	20.70
0800	18.07	18.38	20.86
0830	18.08	22.21	24.69
0900	18.10	21.68	24.17
0930	18.11	22.24	24.75
1000	18.11	22.31	24.82
1030	18.11	22.35	24.87
1100	18.10	22.39	24.93
1130	18.11	22.94	25.51
1200	18.12	36.18	38.80
1230	17.80	36.23	38.85
1300	17.78	36.13	38.74
1330	16.97	28.58	31.12
1400	17.78	22.75	25.28
1430	18.89	22.71	25.22
1500	18.89	22.70	25.20
1530	18.89	22.71	25.22
1600	17.77	22.80	25.33
1630	17.01	32.35	34.94
1700	40.46	29.98	32.60
1730	40.47	32.37	34.98
1800	40.43	28.24	30.76
1830	11.82	32.00	34.49
1900	19.80	22.19	24.67
1930	30.65	14.20	14.20
2000	30.54	14.20	14.20
2030	19.77	22.46	24.94
2100	19.76	31.01	33.49
2130	18.22	31.01	33.49
2200	18.22	22.46	24.94
2230	16.66	22.19	24.67
2300	16.42	18.02	20.50
2330	15.11*	18.22	20.70
2400	14.47	16.69	19.17

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone between and Monday to Friday.
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COMPANY NEWS: UK

Recovery continues at Sears with 38% rise

By Peggy Hollinger

Sears yesterday announced a 38 per cent increase in interim pre-tax profits, confirming the recovery that began more than a year ago at the retailing group, which includes such names as Selfridges and Dolcis.

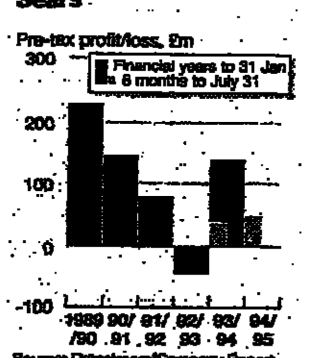
For the six months to July 31 profits rose from £38.9m to £53.8m on sales 4 per cent higher at £949.6m.

Mr Liam Strong, chief executive, who has led the group away from interim losses in 1992 of £97m, said the improvement reflected Sears' ability to get "more pounds of profit for every pound of sales".

The company dismissed suggestions that it would not be able to maintain such momentum in the longer term. "Sears is still very much in the process of upgrading its retail skills," it said.

Sears compares itself with Marks and Spencer, which operates in many of the same markets but achieves higher margins. "Their trading margin last year was 18 per cent and ours was 6 per cent," the company said. "We reckon there is still some way to go."

Sears



Source: Datastream/Company Report

The profits improvement was helped by strong growth in underlying sales. Like-for-like retail sales were almost 5 per cent up. The trend continued in the second half with like-for-like sales in the first seven weeks about 7 per cent ahead.

Sears enjoyed strong interim profits growth in all divisions, with the exception of its children's wear business, the Olympus sports shops on the high street, and the shoes joint venture in Germany and the Benelux countries.

Problems in the two UK businesses left profits from high street fashion 69 per cent down at £1.5m. The decline masked a substantial improvement in womenswear, the group said. Recession in Germany left the joint venture with losses of £3.1m (£600,000 profits).

Sears reported its strongest growth in Selfridges, the London department store, which increased sales by 12 per cent to £107.7m and profits by 52 per cent to £9.1m.

Footwear, where Sears claims about 20 per cent of the UK shoe market, showed a 5.9 per cent like-for-like sales improvement. Sales and profits were helped by the success of new concepts such as the self-service Shoe Express, and Shoe City, a large format out-of-town store. Trading profits were 24 per cent ahead to £11.2m, on overall sales 3 per cent ahead to £261.5m.

Cost-cutting helped the Freemans home shopping business lift profits 91 per cent to £18m. Excluding one-off charges profits rose by 21 per cent.

The dividend is increased by 5 per cent to 1.05p (1p). Earnings rose to 1.85p (1.45p).

See Lex

Yule Catto up 42% but warns on margins

By Tim Burt

A sharp increase in first half profits at Yule Catto, the chemical and building products group, was yesterday overshadowed by a warning that rising raw material prices could hamper future growth.

Although the group saw pre-tax profits increase 42 per cent from £9.26m to £13.2m in the six months to June 30, it said margins were likely to come under pressure following price rises of up to 90 per cent for some petrochemicals.

"Higher raw material costs are starting to impact on our chemicals business and we will have to push up prices progressively over the coming months," said Mr Alex Walker, chief executive.

Prices for chemicals such as Styrene, used in latex, have increased from about £320 a tonne to more than £500.

The group has tightened cost controls to reduce the effect of higher prices, but Mr Walker hinted that its speciality chemicals business could see a dip in the second half.

Profits increased by 29 per cent from £9.51m to £12.3m in that division following contributions from Synthomer Chemie, the German latex company acquired for £18.2m last year, and buoyant sales in east Asia, where it has sizeable adhesive operations.

Increased demand from the construction industry, mainly in continental Europe, helped the building products division report a 43 per cent increase in profits to £2.61m (£1.83m).

The two divisions helped lift operating profits of continuing operations from £10.8m to £13.8m. Turnover rose 14 per cent to £160.1m (£140.6m) including £3.15m (£6.73m) from discontinued operations.

Last September's £29.7m rights issue, which funded the Synthomer acquisition, helped reduce net borrowings from £20.7m to £6.46m, equivalent to gearing of 10.4 per cent.

Earnings per share, adjusted for the rights, rose from 6.4p to 8p and the interim dividend is increased to 2.8p (2.5p).

The shares, which fell 9p to 284p earlier this week, regained 8p to close at 292p.

● COMMENT

Yule Catto is better equipped than most to cope with costlier raw materials. It has improved volumes and reduced overheads, mostly through the disposal earlier this year of its loss-making facades business in the Netherlands. But it will be difficult to force price increases on unwilling customers. The only consolation is that all chemical manufacturers are in the same boat, so market share is unlikely to be affected. If it can contain the cost rises, full-year profits could reach £29m. Like most other chemicals companies, the shares – on a forward multiple of 17 – are at a premium to the market. Unlike some, however, they look a reasonable if unexciting prospect.

GA loses life insurance 'tie' with North of England

By Alison Smith

General Accident, the composite insurer, is to lose its ability to sell life insurance products through North of England Building Society from the end of this week.

The ending of the "tie" – by which North of England sold GA Life products through its branch network – is a result of the society's merger with Northern Rock Building Society, which will create the tenth largest society.

Northern Rock is tied to Legal & General for life insurance products, and financial services regulation means that the merged society is not allowed to maintain ties with both insurers.

Though Northern Rock is keeping the relationship with L&G at present, the move comes against a background of shifting patterns of alliances between life insurers and societies.

Some of the very largest societies, including Halifax and Nationwide, have announced plans to set up their own life insurance subsidiaries. This should give them more control over the products sold, and should also be more profitable than merely taking commission from a life company.

Some insurers also think the relationships must change. Mr Bill Jack, general manager of GA Life, said earlier this year that greater transparency should be introduced. Ties between life insurers and banks and societies had not sufficiently benefited customers in the past, he added.

GA Life said yesterday that it was "disappointing" to lose the relationship with North of England, but that it aimed to remain a significant force in terms of links with societies. It is tied to eight others, though most of them are smaller than North of England.

Building societies produced about 10 per cent of its business, it said.

GA Life's link with North of England goes back only a year. Before then, the society had acted as an independent financial adviser, able to sell life and pensions policies from any product provider.

TransTec profits warning

By Paul Cheesewright, Midlands Correspondent

Profits dipped sharply during the first half at TransTec, the West Midlands specialist engineering group, and Mr Geoffrey Robinson, chairman, warned that second-half results would not match last year's.

The announcement yesterday set off a fall of more than 19 per cent in TransTec's shares which, in 1992, traded at more than 500p. The shares lost 13p to 54p, valuing the company at £51.7m.

The 46 per cent fall in pre-tax profits from £5.58m to £3m checked the fast profits growth that has taken place since the company emerged from Central & Sherwood, the engineering group controlled in the late 1980s by Mr Robert Maxwell.

Mr Robinson promised in the second half a "significant improvement over the first half" but he added that, "given the acute downturn in what has historically been our most profitable segment", it was unlikely to match the second half of last year.

The most profitable segment has been the control and manufacturing technology division. Although its turnover rose to £31.23m from £21.56m, it turned in a £41,000 loss against profits of £3.2m.

TransTec attributed the profits decline to "an absence of new orders from the aerospace sector" and heavy development costs on new products to be introduced in the second half. Mr Robinson said the dearth of orders from aerospace customers became apparent in March.

The interim figures were salvaged to some extent by the increase in profits of the automotive division, the problem area of 1993. Pre-tax profits rose to £3.18 from £1.42m.

Group turnover of £94.18m compared with £64.96m. Operating profits declined to £3.72m from £6.05m. On earnings per share down at 2.5p from 4.5p, TransTec maintains its interim dividend at 1.3p.

Lower costs help Britton to £3.75m

By Peter Pearse

Buoyed by lower polymer prices, pre-tax profits at Britton Group, the packaging company which on June 13 swallowed the larger NMC, jumped from £520,000 to £3.75m in the six months to June 30.

Turnover rose from £6.39m to £30m. The shares edged ahead 1p to 153p.

The results this time are essentially those of Britton's UK polythene subsidiaries – Taco and the now renamed Gelplas.

However, the figures also include 18 days of profits and turnover – £790,000 and £6.45m respectively – from NMC, the London-quoted but US-based folded cartons company.

The acquisition will result in Britton's turnover increasing to about £200m.

NMC also brought with it some UK polythene packaging subsidiaries – NMC Security Products, Precision Packaging and NMC Coatings – which are to be integrated into Britton's polythene division.

While Britton's operating profits jumped to £3.95m (£554,000), on a like-for-like basis they rose 20 per cent.

Operating margins at the continuing businesses rose from 11 to 13.4 per cent, while the NMC figure was 12.3 per cent. Tonnage volume grew by 9.6 per cent, helped by a lower average selling price per tonne of £938 (£983).

Mr Simon Beart, finance director, said that just as the lower prices had been passed on to customers, so would the current higher ones. Britton had a long book of six weeks of polythene supply, he said.

Mr Robin Williams, chief executive, said Taco would concentrate on high margin areas like feminine hygiene and adult incontinence products, with less emphasis on nappies. Gelplas makes industrial packaging and intermediate handling products.

Capital expenditure planned for 1995 is between £15m and £18m, mostly for the US but including £5m for buildings and the increase of capacity in the UK operations. Gearing is expected to hold at the current 33 per cent level.

The interim dividend is lifted to 1p (0.6p), payable from earnings of 4.79p (2.78p).

Further evidence of shift in character of the market's capital base

Lloyd's agency launches £30m fund

By Richard Lapper

Wellington Underwriting Agencies, the largest managing agency at the Lloyd's insurance market, yesterday announced plans to launch a £30m listed investment company which will supply exclusive support for its seven syndicates.

The announcement provides further evidence of the shift in the character of the market's capital base, traditionally supplied by individual Names, trading with unlimited liability for their losses.

Earlier this week, Hiscox Group, another Lloyd's agency, said it intended to float Hiscox Dedicated Insurance Fund, and other Lloyd's agencies, including RJ Kiln, are expected to announce similar plans in the next few weeks.

Unlike the Lloyd's investment trusts floated after Lloyd's raised some £800m in corporate capital last year, the new single agency or "dedicated" vehicles, only support the syndicates of a single agency, allowing a closer relationship between the investor and the agency's insurance business.

The new company, Wellington Underwriting, will come to the market by way of a placing of 30m shares at £1 each. Wellington intends to raise about half the money from overseas and is offering US institutions the opportunity to invest through ADRs.

Other overseas funds could come from Australia, Germany and Switzerland. The company will supply about £55m in capacity to Wellington syndicates, less than 10 per cent of the capacity managed by the agency.

Sponsors to the company are Noble & Company, while the brokers are Greig Middleton & Company, both of which advised the launch of Premium Trust and Premium Underwriting at the end of last year.

Alex Brown & Sons are acting as US adviser to the company. Impact Day is scheduled for the end of October. Investors must make a minimum investment of £1,000. The Wellington group itself is buying a £5m stake.

Mr Anthony Cooper, chief executive of Wellington Underwriting, said that the pre-emption rights of existing Names would be honoured and that the development would benefit Names by giving "additional stability and security to the existing capital base".

Mr Cooper said that Wellington had no plans to create an insurance company, but the launch of the new fund created a series of long-term options for the group's development.

Mr Julian Avery, chairman of Wellington Members Agency, added that "it will offer [Names] an opportunity to invest directly, and on a limited liability basis, in Wellington managed syndicates. It could also lead, at some future date, to a means for traditional unlimited liability Names to transfer their underwriting to a limited liability basis."

Hiscox, which announced its flotation plans on Monday, is also planning a rights issue to raise £26m in extra capital for the fund, launched last year after an offer for subscription raised £11.2m.

Dorling Kindersley slips to £9m

By Andrew Bolger

Dorling Kindersley Holdings, the publisher of highly illustrated reference books, expects a "reasonable contribution" to group profits this year from its new generation of multimedia products.

The group is this week launching five CD-ROM products – which combine words, pictures and text on personal computers – at recommended prices ranging from £49-£99 in the UK and $60-$130 (about £40-£80) in the US. Titles include The Ultimate Human Body and Incredible Cross-Sections.

Mr Peter Gill, finance director, said profitability would depend partly on whether prices were held at this level – particularly in the US, where earlier multimedia products had been discounted.

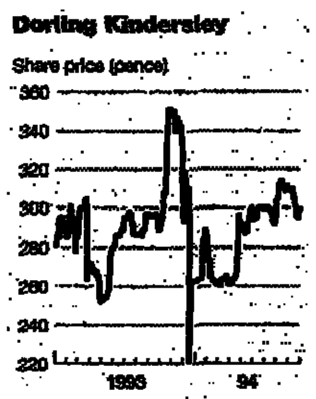
DK reported a 6.3 per cent drop in pre-tax profits, from £9.65m to £9.04m, in the year to June 30, in spite of increasing sales by 23 per cent to £107m (£87.4m).

The group blamed the shortfall on investment in new businesses, distribution problems and a slower than expected take-off by DK Education, which supplies kits to schools.

Peter Kindersley: UK market hindered by NBA uncertainty

Mr Peter Kindersley, chairman and chief executive, said the UK bookshop market was flat and the situation was not being helped by uncertainty over the future of the Net Book Agreement, which allows publishing groups to set minimum prices.

DK said it was disappointed by the proposed withdrawal of the publisher Hodder Headline from the NBA, as it believed the agreement's abandonment would result in the closure of smaller, independent bookshops and the availability of fewer titles. Mr Gill said: "If there is a snowballing effect with other publishers joining Hodder, then there may be an impact."



Source: FT Graphite

DK Adult division increased sales by 23 per ent to £82m, representing 58 per cent of total turnover. Best-selling titles were on sex, gardening and pasta. DK Children's division increased sales by 19 per cent to £31.7m, comprising 30 per cent of total turnover.

Earnings per share fell 15 per cent to 8.4p (9.9p). A proposed final dividend of 2.2p maintains the total at 3.3p.

● **COMMENT**

The quality of DK's products continues to dazzle, but uncertainties cloud aspects of its markets. Although the UK now accounts for only 25 per cent of group sales, the break-up of the NBA would not be welcomed by a publisher which enjoys premium prices. Investment in multimedia is one reason why administrative expenses jumped from £19m to £25m, but it is much harder to estimate the profits potential of the new CD-ROM products – not least until the extent of retail discounting is established. Having sorted out last year's distribution problems should help forecast profits reach nearly £12m in the current year. That puts the shares, up 2p to 299p yesterday, on a prospective multiple of 28 – nearly double the market average. The rating reflects the premium which investors are prepared to pay for a stake in the new information revolution, but leaves no room for disappointment.

ICG meets flotation forecasts with £9.7m

By Richard Gourley

Intermediate Capital Group, the specialist lender of mezzanine finance, reported first-half pre-tax profits up 60 per cent at £9.7m, in line with expectations at the time it floated in June.

Earnings per share were 13.8p, up 59 per cent on the pro forma figures for the six months to July 31 1993.

Mr James Odgers, managing director, said the companies in which ICG had invested were performing strongly. The group had made £50m of new loans in the first half in the UK, France, Italy and Sweden.

Some £36.5m of these loans were on ICG's own balance sheet with the balance taken up by clients for whom the group is managing funds.

After loan repayments, there was a net increase in lending of 7 per cent. ICG lends to unquoted companies and takes an equity stake or right to an equity option. It receives net interest and dividends, which it describes as its core income, and which in the first half rose by 7 per cent to £4.5m.

It also realises some of the capital gains it makes on shares in investments that float. Profits from this were £5.5m from five flotations and one trade sale.

ICG said the rate of increase in profits was beneficially affected by the high level of capital gains and was not representative of the increase likely for the full year.

ICG's share price has hardly moved from its flotation price of 225p. "This is not a stock for the short term or the unsophisticated," said Mr Odgers. "We think we had a very good start and are gradually talking to our investor base – but the passage of time is as important as talk."

A 3.75p dividend is declared.

Eastern Electricity in £160m power plant order

By Michael Smith

Eastern Electricity has ordered a £160m gas-fired power station at King's Lynn, Norfolk, in one of three moves announced yesterday which it said underlined its strategy of becoming a leading independent electricity generator.

The company is spending £10m to take full ownership of the 360MW Peterborough power plant, of which it already has 50 per cent. It has also reached agreement to buy part of the output of the Schooner gas field in the North Sea.

The investments in the 340MW King's Lynn station and Peterborough could take gearing to about 30 per cent in 1995-96, although this may vary depending on how Eastern finances them. The company is currently cash neutral.

Eastern said yesterday that following completion of the King's Lynn station at the end of 1996, the gross assets of its generation division would be about £450m.

It expects King's Lynn and Peterborough to contribute about £40m to pre-tax profits in 1997. Last year it made pre-tax profits of £177m.

The King's Lynn project is a further disappointment for the coal industry following an announcement last week by a group of companies, including Midlands Electricity, that they are building a 750MW power station on Humberside.

The King's Lynn power station, to be built by Siemens, is likely to displace about 1m tonnes of coal a year.

Mr Doug Swinden, group strategy director, said that the project would provide a good return on the investment even if the price in the electricity wholesale pool were to remain at current levels.

The peak effect of the station on group gearing would be 12 per cent in 1995-96 and this would then fall because of the station's cash generation.

The acquisition of 50 per cent of Peterborough from Hawker Siddeley Management, a BTR subsidiary, will bring £175m of non-recourse debt on to the group's balance sheet.

It will increase gearing by 21 percentage points in 1994-95 but this falls to 10.8 percentage points in 1999-2000.

Peterborough made operating profits of £3.9m and pre-tax profits of £840,000 in the six months to March after starting full operation in December.

Eastern expects to buy about £200m of gas from the Schooner field from Shell and Esso over the nine years from autumn 1996. It has already agreed to buy the entire output of the Johnston gas field in which it owns a stake.

Mucklow improves to £10.1m

By Christopher Price

The tentative revival in the UK property market helped A&J Mucklow Group, to a 4 per cent rise in pre-tax profits, from £9.67m to £10.1m, for the year to June 30.

Mr Albert Mucklow, chairman of the property development and investment company, cautioned that the recovery in both rental income and capital values was "slow and patchy," and unlikely to show through to group profits for some time. "The ball is still in the tenants' court. But rents have stopped falling now, and we are beginning to see the start of some recovery."

Rental income and turnover edged forward to £20.53m (£20.12m). But some of the positive signals seen at the interim results stage had faded in the second half. Evidence of this was seen in the group's industrial vacancy levels, the 245,000 sq ft decline in the first half falling to 27,000 sq ft during the second half. However, the overall industrial vacancy level dropped nearly 300,000 sq ft to 1.48m over the year.

Mr Mucklow said that starts on two new projects – a 48,000 sq ft factory and office block and a smaller office development in Birmingham – had been made. "We wouldn't have started unless we were confident that the market is improving," he insisted. He added that the West Midlands commercial property market seemed to be in a healthier state than the southern regions.

Mucklow had also acquired two new properties, at a cost of £4.33m, since the year-end. One is a 6,200 sq ft partially let office building in Birmingham, the other a 135,000 sq ft industrial estate in Mitcham, Surrey.

A review of the company's portfolio had resulted in a valuation marginally up on the previous year at £221m. Earnings per share rose from 6.42p to 7.53p, while the net asset value advanced from 144p to 157p. The final dividend is 3.2346p for a total of 6.286p (6.103p). The shares fell 12.5p to 146.5p .

French launch of Glaxo drug

By Daniel Green

Glaxo has finally launched its migraine drug Imigran in France, despite failing to secure government agreement for its availability on the French national health service.

Patients will have to pay for the drug, at FFr142.5 (£17.10p) per injection plus the pharmacist's mark-up. This is about the amount paid by the UK National Health Service.

Sales of Imigran, which promises to become one of Glaxo's biggest sellers, were £243m last year.

France has among the lowest drug prices in Europe but the largest per head consumption.

Sharelink price drops after warning on interim losses

By Caroline Southey

Shares in Sharelink Investment Services, the telephone based stockbroker floated last July, fell by more than 38 per cent yesterday after the company warned of losses at the interim stage.

Shares in the Birmingham-based company fell by 51p to close at 187p after Sharelink announced it expected pre-tax losses of about £500,000 for the six months to September 30.

Mr David Jones, chief executive, said low market volumes had caused Sharelink to trade "at below break even" in the first four months although trading had improved in August.

Sharelink warned in January that earnings could suffer if the decline in UK equity market trading volumes persisted.

Mr Jones also pointed to expenditure of £700,000 on development projects, such as the MarketMaster service launched yesterday, which would benefit Sharelink's product profile by.

Total investment in the first six months reached £1.25m.

Even with depressed volumes, operating profits were expected to be about £200,000 at the interim stage, Mr Jones said. In its first figures after coming to the market, Sharelink announced interim pre-tax profits of £3.68m (£785,000), inflated by £1.47m from handling part of the government sale of BT shares.

Mr Jones said yesterday that the board remained positive about prospects for the full year, as revenues in the second half were traditionally stronger than in the first.

The company intended to maintain an interim dividend of 3p and, in the absence of unforeseen circumstances, to recommend an unchanged final of 6p.

European Smaller

European Smaller Companies raised net assets per share from 116.7p to 135.3p in the year ended June 30.

Earnings per share were 0.78p (1.79p). The dividend has been cut to 0.56p (1.55p).

NEWS DIGEST

Goodhead back in the black

Goodhead Group, the printing and publishing company, turned a £17m pre-tax loss into a profit of £40,000 for the year to May 31, struck after a £130,000 profit (£14m loss) on the disposal of discontinued operations and a loss of £43,000 (£309,000) on the sale of fixed assets.

Turnover fell 25 per cent from £37.4m to £28.2m, with discontinued operations contributing £2.28m (£11.8m).

Earnings per share, fully diluted, were 0.6p (85.9p losses) and the proposed final dividend is unchanged at 0.05p.

JBA at £264,000

In its first set of results as a listed company since its flotation in June, JBA Holdings, the software company, turned in an interim pre-tax profit of £264,000 against a loss of £1.07m.

Turnover for the six months to end June was up by 29 per cent to £38.5m (£29.9m).

There is an interim dividend of 0.8p, a proforma increase of 33 per cent. Earnings per share came out at 0.19p against losses of 2.87p.

Electricity shares

South Wales Electricity has bought another 476,000 of its own shares at a cost of £3.8m. Swalec now owns 4.1m of its own shares, representing 4 per cent of the total shares in issue at March 31 1994.

Meanwhile, South Western Electricity has bought a further 250,000 of its own shares for £1.88m, bringing its total to 5.5m. This represents about 4.5 per cent of the issued ordinary share capital.

Clayhithe offer

Clayhithe, the finance and management provider, has made a recommended offer for the 29.5 per cent of Horstmann not already owned by it, for up to £4.2m cash.

The offer of 600p per share values Horstmann, which makes electronic timers and controls and data acquisition and controls systems, at £14.1m. There is a share alternative on the basis of 19 new Clayhithe ordinary shares for every two Horstmann held.

For the year to March 31 1994 Horstmann's pre-tax profits were £2.5m on turnover of £19.9m.

Clayhithe announced earlier this year that it intended to become a specialised electronics and engineering company focused on Horstmann.

Paramount higher

Paramount, the public house operator, raised pre-tax profits by 17 per cent from £450,000 to £527,000 in the year ended May 31. Turnover was £1m higher at £3.56m.

Fully diluted earnings per share came to 0.6p (0.43p) and the final dividend has been stepped up from 0.15p to 0.2p, on capital increased by June's £5.4m rights issue.

Tesco/Wm Low

Tesco has received valid acceptances for its revised offer for William Low in respect of 51.9m ordinary shares, representing about 95.84 per cent of William Low's issued ordinary capital.

Acceptances for the revised convertible preference offer have been received in respect of 31.85m shares, representing about 96.71 per cent of the issued convertible preference capital.

Schroder Split Fund

Schroder Split Fund had a net asset value per capital share of 74.97p at July 31 compared with 80.93p a year earlier.

Net available revenue for the six months to end July slipped to £2.21m (£2.24m) for earnings of 3.91p (3.95p) per income share. The interim dividend is lifted to 3.6p (3.375p).

Culver rises

Culver Holdings, the motor dealership and insurance broking group, achieved a near doubling of pre-tax profits from £183,000 to £350,000, in the half year to June 30.

Turnover jumped to £22.9m (£11.1m) mainly as a result of acquisitions made in the second half last year. The interim dividend is lifted to 0.13p (0.11p), payable from earnings of 0.34p (0.3p) per share.

Herald Inv Trust

In its first results since incorporation on December 10 last year, Herald Investment Trust, which specialises in small communications companies, announced a decline in net asset value from 98.7p on February 16 to 95p on June 30.

This 3.7 per cent decline compares with a 14.6 per cent fall in the FTSE-Small Cap Index.

After tax of £80,000, profit stood at £234,000 to give earnings per share of 0.36p.

Wensum well ahead

Higher sales and improved productivity helped the Wensum Company, clothing manufacturer, turn in a substantial increase in pre-tax profits for the half year to July 30, up from £56,000 to £509,000.

Turnover was up by 35 per cent to £5.59m (£4.12m). Earnings per share were 4.56p (0.56p) and there is an increased interim of 1.5p (0.625p).

Wiggins reduces loss

Wiggins Group, the property developer, reduced pre-tax losses from £3.88m to £1.58m in the year to March 31 after exceptional costs of £971,000 against £2.29m.

Wiggins also announced the sale for £1m of six acres of the 175-acre Kent International Business Park, of which 30 acres are owned and the remainder optioned by the group.

Turnover in the period was a minimal £28,000 (£1.41m). Losses per share worked through much lower at 0.7p (24.4p).

Klearfold climbs

Klearfold, the Pennsylvania-based packaging company with a London listing, reported pre-tax profits for the first half of 1994 ahead from $1.1m to $1.6m (£1.01m).

Turnover was $27.9m ($21.4m). Earnings per share were 6.2 cents (4.2 cents) and an interim dividend of 1 cent is being paid this time.

Atreus at £418,000

A second half loss of £133,000 at Atreus, the shower screen and mirror supplier, left the company which came to the market last year, with a pre-tax profit of £418,404 for the 12 months to March 31. Turnover was £6.7m.

As forecast at the time of the listing, the dividend is 0.75p with a recommended final of 0.486p. However, the company does not expect to pay an interim for 1994. Earnings per share came to 0.67p.

United Inds recovers

United Industries has returned to profit with £563,000 pre-tax for the six months to July 2, compared with losses of £1.5m for the previous nine months. It is paying its first dividend in more than three years with an interim of 0.1p.

Turnover was £23.6m (£19.2m) including acquisitions of £7.87m and £1.19m (£1.39m) from discontinued operations. Earnings per share were 0.36p (3.77p losses).

Wm Jacks advances

William Jacks, the motor car retailer owned by Johan Holdings of Malaysia, continued to improve with an advance in interim pre-tax profits from £65,000 to £272,000.

Turnover for the six months to July 31 was up by 50 per cent from £22.6m to £33.9m.

Earnings per share worked through at 1.48p (0.22p losses).

S Lyles picks up

A generally higher level of activity, particularly in the second six months, helped S Lyles, the yarn spinner and dyer, turn in a pre-tax profit of £566,000 for the year ended June 30, against an £89,000 loss previously.

Turnover rose 16 per cent to £16.9m (£14.5m) which reflected changes in product mix and pressure on selling prices.

Earnings per share came to 10.37p (1.39p) while a final dividend of 2.5p makes a total of 3.5p (3.3p).

Clarke Nickolls

Clarke, Nickolls & Coombs, the restructured property group, announced a first half pre-tax profit of £513,000 against a restated loss of £205,000, and returned to the dividend list with an interim of 0.1p.

Turnover for the six months to June 30 was ahead at £2.89m (£1.6m).

Earnings per share were 0.28p against losses of 0.13p. The directors said they expected to recommend a final of 0.1p – the last payout was in 1991.

Baring Emerging

Baring Emerging Europe Trust, which came to the market in January, had a net asset value per share at end-July of 79 cents. At January 31 the value was 96 cents.

Net available revenue in respect of the year to July was $380,000 (£240,500), equivalent to earnings per share of 0.32 cents.

A dividend of 0.2 cents is proposed.

Brixton Estate up at £16.4m

By Simon London
Property Correspondent

Improvements in rental income helped Brixton Estate turn in a 26 per cent increase in pre-tax profits for the six months to end June, up from £13m to £16.4m.

"The letting market picked up over the summer but has been especially strong in the last six to eight weeks," said Mr Terence Nagle, managing director.

"We are seeing demand from industrial companies who have suddenly found themselves short of space."

Brixton has let 400,000 sq ft of office and industrial space since January and is negotiating on a further 160,000 sq ft.

If these negotiations are completed, the proportion of empty space in Brixton's portfolio will fall from 7.5 per cent at the end of the last financial year to 5.5 per cent.

However there was no sign of widespread increase in rents even though vacancy rates were falling.

Net rental income increased from £28.4m to £33.2m in the six months, reflecting additional lettings and acquisitions. Brixton spent £50m acquiring properties during the period, bringing its outlay on acquisitions to £123m since its £100m rights issue in May 1993.

The average yield on acquired properties is 10.7 per cent, well above the long-term cost of funds.

The company had been buying office and industrial property, concentrating on London and the western half of the home counties.

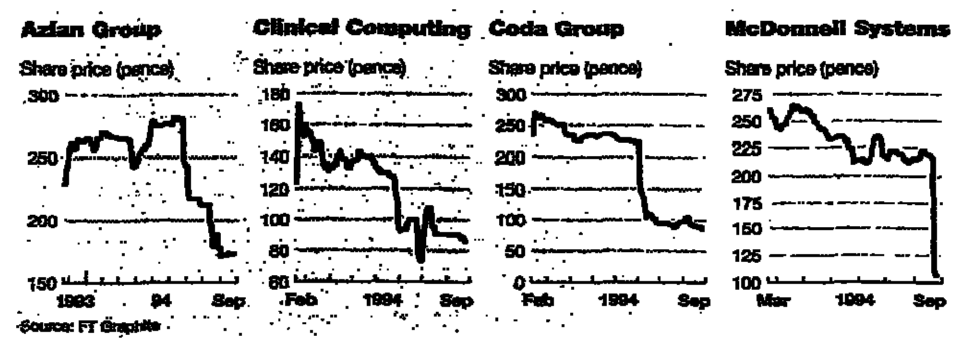
In addition to acquisitions, work is about to start on the speculative redevelopment of 136,000 sq ft in Birmingham and 69,000 sq ft of industrial space in Woking.

Net interest costs were higher at £15.8m (£13.8m), although interest capitalised on developments amounted to only £2.14m against £4.46m last time. Administration expenses were £1.44m (£1.6m).

Earnings per share were 5.47p – or 5.28p excluding a £442,000 profit on the sale of properties – against 5.5p. The interim dividend is increased from 2.825p to 2.95p.

Early promise comes to nought

Alan Cane sees a gloomy pattern emerging in computing services



Almost half the computing software and services companies floated on the main market in the past 18 months have seen their share prices decline precipitously after returning results below expectations.

The latest, McDonnell Information Systems – where the shares fell from 216p to 112p last week on pre-tax profits £4m short of analysts' forecasts – is especially surprising.

MDIS, 25 years old and a former subsidiary of the US aerospace group McDonnell Douglas before a leveraged management buy-out two years ago, had been regarded as an unspectacular, solid performer with niche markets in police, public sector and banking software.

The flotation in March, valuing MDIS at £260m, was the largest in the UK computing services sector this year. Other disappointments have proved to be Coda, a supplier of international accounting software; Data and Research Services, which specialises in optical mark recognition; Azlan, a distributor of networking products; and Clinical Computing, the specialist in medical software.

Inevitably, the problems experienced by these companies is casting a shadow on computing services; not a sector the City understands particularly well in any case.

Their difficulties may also affect the prospects of companies such as Computer Management Group, a large Anglo-Dutch concern which plans to come to market next year and which has a similar reputation to MDIS for sound management and planning.

The market will be watching closely the performance of recently floated companies such as Quality Software Products, which reports today. It is a supplier of large-scale banking software where one or two sales can make a large difference to profitability.

Mr Clay Brendish, chairman of Admiral Computing Group, one of the few UK computing services companies to improve profitability through the recession, said: "This hurts the industry because computing services is many industries in one".

The lumping together of many different kinds of activities – from software development to computer maintenance – in the single category is part of the problem.

Each of the companies had different reasons for its failure to perform to expectations. MDIS failed to sell more copies of a highly priced banking software product; Coda saw a decline in popularity of the computers on which its software runs; DRS and Clinical Computing experienced delays in orders caused by circumstances outside their control; Azlan, which issued a profits warning in June, said buying patterns had changed.

None of this cuts any ice with Mr Richard Holway, publisher of a newsletter* which reports the financial performance of the UK computing services industry. Pointing out that some of the more rarefied issues such as Division, a supplier of virtual reality, and Phonelink, an on-line information service, could rightly be regarded as speculative, he goes on: "The real shocks have come from companies with previously sound performances."

Of all the computing services companies to come to market in the past decade, only 4 per cent have not suffered a reversal. Five per cent have gone broke, 57 per cent have made a loss at some time and 34 per cent have experienced reduced profits before tax.

Mr Holway makes two points:

- The quality of earnings for software and services companies is not as sound as they would have people believe. Mr Martin Read, managing director of Logica, has emphasised the importance of repeatable revenues in improving the quality of a company's earnings. MDIS, DRS and Clinical Computing, however, proved to be heavily dependent on orders that failed to materialise.
- The forecasting skills of software and services companies leave much to be desired. A competent company should be able to forecast its performance for the following three months with reasonable accuracy. Yet Mr Jerry Causley, MDIS chairman has said he believed until the beginning of September that he would make his target for the year.

Are trading problems, which companies know about or suspect, being ignored or brushed over in the haste to complete a listing? Some recently floated companies say the way their brokers handled their flotation was "a shambles". Mr Holway snaps: "The issues should have been delayed or investors warned. They were not".

The beneficiaries, inevitably, are venture capitalists, company directors who sold shares and the brokers themselves. The losers are small investors and the industry's credibility.

**System House, Richard Holway Ltd, New Acre 18 Great Austins, Farnham Surrey. 0252 724584.*

Acquisition helps lift Huntleigh 74% to £5m

By Tim Burt

Huntleigh Technology, the USM-quoted medical equipment manufacturer, reported a 74 per cent increase in first half profits following a maiden six-month contribution from Nesbit Evans.

Gains by the hospital bed manufacturer, acquired for £11.8m in November last year, helped lift pre-tax profits from £3.03m to £5.27m in the six months to June 30.

Mr Rolf Schild, chairman, said the subsidiary – renamed Huntleigh Nesbit Evans Healthcare – contributed about £1m to operating profits of £5.21m (£2.86m).

The improvement was achieved on sharply increased turnover of £35.4m (£16.3m), with the proportion of UK sales rising from 23 per cent to 50 per cent of the total following the Nesbit Evans deal.

Mr Schild, however, hinted that the full-year results might not show the same growth.

"With the acquisition of Nesbit Evans, the consolidated profits are likely to be weighted towards the first half owing to the seasonality of the UK market," he warned.

He also sounded a note of caution about overseas operations, particularly in the US where there had been regulatory delays in winning FDA clearance for some products.

Huntleigh's new French subsidiary made a loss following its launch late last year, but Mr Schild said it was performing above initial expectations.

Earnings per share rose from 7.45p to 12.18p, and the board is lifting the interim dividend to 2.75p (2p).

The shares closed up 5p at 433p.

My Kinda Town ahead of forecast

By Caroline Southey

My Kinda Town, the American theme restaurant owner and operator, achieved annual results marginally ahead of flotation forecasts.

The company was incorporated on January 20 and commenced trading on May 9, prior to its flotation on May 10.

Pro forma results for the year to July 3 show pre-tax profits of £1.93m against a forecast of £1.9m. In the period from January 20 to July 3 pre-tax profits stood at £210,000. Turnover for the year totalled £23m while sales in the January to July period reached £3.5m. Earnings per share came out at 0.53p for the full year.

As stated in the placing document, a dividend is not being proposed although an interim dividend is expected in respect of the six months to January 1 1995.

MKT operates 31 restaurants and bars in nine countries. It was formed in 1977 with the opening of The Chicago Pizza Pie Factory followed by the Chicago Rib Shack, Henry J Beans and Chicago Meatpackers.

Mr Stuart McDonald, chairman, said MKT had continued its expansion by opening Henry J Bean's franchises in Buenos Aires and Bangkok. Construction had also started on a Chicago Meatpacker in Frankfurt and a Henry J Beans in Cologne.

The group was founded by American entrepreneur Mr Bob Payton, who was killed in a car accident in July.

The shares, issued at 10p, closed unchanged yesterday at 13¾p.

COMMODITIES AND AGRICULTURE

Coffee futures recover after early setback

By Alison Maitland

Coffee futures prices suffered a sharp setback in London and New York yesterday following rainfall that brought light relief to drought-hit coffee plantations in Brazil.

But prices recovered later in the day as prospects of further dry, warm weather kept the market in fairly bullish mood about the prospects of a substantial shortfall in next year's crop.

The second position robusta contract in London was down $128 a tonne at one stage, following an overnight fall in New York. But it rallied to close only $58 lower at $4,025.

In New York, the December arabica contract was 3.65 cents lower at 222.95 cents a pound in afternoon trading after trading 7 cents lower.

One trader said speculators had sold long positions after prices had failed at several attempts to break decisively into new high ground.

"There's been a little clear-out, led by New York, but the background hasn't changed," he said.

The sharp recovery in prices this year to near nine-year highs on the back of two severe frosts in Brazil in June and July has led to expectations that producers will increase output.

At a meeting of the International Coffee Organisation in London yesterday, Mr Guy-Alain Gauze, commodities minister for Ivory Coast, said his country planned to raise output from about 147,000 tonnes to 250,000 tonnes in the next two to three years.

A new five-year international coffee agreement, due to come into effect on Saturday, is designed to encourage a greater flow of information on coffee trade between producer and consumer countries. However, it is not yet clear whether enough countries have ratified for it to enter into force automatically.

Singapore link to extend oil futures trading

By Robert Corzine

A move to link oil futures trading in London and Singapore was announced yesterday in a development that will extend trading of the Brent crude oil contract to about 18 hours a day.

The International Petroleum Exchange in London and the Singapore International Monetary Exchange said that they would establish a mutual clearing system in which Brent contracts opened on one exchange could be liquidated on the other.

An additional benefit would be that members of the respective exchanges would be able to trade on the other without buying a seat on that exchange.

Mr Peter Wildblood, the IPE's chief executive, said that the link-up, which is expected to be in place by the second quarter of 1995, "should eventually broaden the trading base of the Brent contract," the current daily volume of which is about 50,000 contracts.

The co-operative arrangement should ensure "instant liquidity" in the Singapore market, according to Mr Wildblood.

At present there is no Asian benchmark crude that investors in the region can trade in their own time zone.

Slow start for Nigerian cocoa

The Nigerian cocoa season is getting off to a slow start after heavy rains and a crippling national political crisis, traders and farmers said yesterday, reports Reuters from Lagos.

"Farmers have begun drying their beans. But initially there was far too much rain," said Mr Omojeso Femi, administrative secretary of the Ondo State Farmer's Congress.

Nigeria's annual cocoa output is about 130,000 tonnes.

Trans-World leads Russian aluminium rush

By Kenneth Gooding, Mining Correspondent

A battle for ownership of Russia's biggest aluminium smelters is being waged now that they have been privatised, according to western traders.

Trans-World Metals, a London-based company, is reputed to be leading the attack in order to protect its commercial position. Trans-World is now probably the biggest trader of Russian aluminium and also a substantial exporter of alumina, an intermediate material, to Russia.

Mr David Reuben, chairman of the Trans-World group, said yesterday suggestions that his organisation had taken a controlling interest in two Russian smelters were wide of the mark. However, consortia organised and prompted by Trans-World had accrued substantial shareholdings, in the order of one third, in the four biggest Russian aluminium smelters. Between them these smelters account for about two-thirds of Russia's aluminium production capacity.

They are Bratsk, the world's biggest aluminium smelter with an annual capacity of 850,000 tonnes; Krasnoyarsk (760,000 tonnes); Novokuznetsk (280,000 tonnes) and Sayansk (270,000 tonnes).

Mr Reuben said: "We are working with many companies and funds in Russia to assist our situation there. We have put a huge investment into Russia in the past three years". He said shareholders' meetings might be called in order to promote changes at some smelters. He also stressed, however, that Trans-World's direct shareholdings in the smelters were small. "We see this as a long-term investment," he said. "I believe in the future of Russia and would have no hesitation in investing more there."

Mr Reuben said Trans-World had been interested in acquiring shares in the Russian smelters since the privatisation process started two years ago. (All the smelters are now joint stock companies but the central government retains a 20 per cent interest). A consortium lead by Trans-World had built a 20 per cent shareholding in the Bogoslovsk smelter (160,000 tonnes a year) but sold this a few months ago. Another consortium, in which Trans-World was not involved, had built up a controlling interest in the Volvograd smelter (170,000 tonnes).

Trans-World has been very active in the past few years establishing joint ventures, trading partnerships and co-operation with metal suppliers, refiners and smelters across what was once the Soviet Union. Its most important relationship is with Transis, in which it has no shareholding but has contractual arrangements for Transis to operate on Trans-World's behalf in Russia and for Trans-World to work for Transis outside the country.

Trans-World takes credit for coming to the rescue of both Bratsk and Krasnoyarsk three years ago when they were in danger of running out of vital raw materials because of shortages of foreign currency. Trans-World put up cash to "kick-start" production again.

Consequently, Trans-World became the biggest supplier of raw materials to these smelters, which they mainly paid for with aluminium for export.

Trans-World also helped Bratsk set up a joint venture company, Rosal, in London to raise capital and possibly get better terms for its aluminium.

In May bulk alumina handling facilities costing "several million dollars" were opened at the east coast port of Vanino by a company jointly owned by Trans-World and the port authority. This has opened up one of the bottlenecks that restricted alumina imports to Russia and has provided a logical link between Australia, the world's biggest alumina supplier, and Siberia's big aluminium smelters.

Analysts point out that the position of trading houses like Trans-World is less secure following the recent international trade agreement between some of the big aluminium producing nations that promised funds to the Russian industry if it joined in a worldwide cut in production. For example, both Aluminium Company of America (Alcoa), the world's biggest aluminium group, and Pechiney, Europe's biggest, have recently confirmed that they are talking to Krasnoyarsk about upgrading the smelter, particularly with a view to reducing pollution.

"Having a big shareholding in the smelter would help protect Trans-World's toll smelting operations there if one of the big western producers moved in," said one trader

Bigger world sugar crop forecast despite beet problems

Statistics agency F.O. Licht estimates the world's 1994-95 sugar output at 113.453m tonnes, up from last season's 110.378m, reports Reuters from Ratzeburg, Germany.

Licht yesterday forecast beet sugar production at 36.389m tonnes, down from last season's 39.404m, while putting saw cane sugar output at 77.064m tonnes, up from 70.974m in 1993-94.

The total, while sharply above last season's, remained well below the 116.2m tonnes produced three years ago, it noted.

Licht expected the general supply situation to tighten, despite its higher production estimate. "Consequently another drawdown in stocks will be needed, but the gap may not be sufficient to upset the market greatly," it suggested.

While warning that higher prices would hurt demand it suggested that "most producers can probably look forward to another year of satisfactory prices."

● Analysts remain conservative on European Union sugar output after exhausted crops mostly failed to make up for bad weather, reports Reuters from Paris.

An unusual combination of rain and drought attacked yields in member countries, bringing output back towards "normal" levels after two record seasons, they said.

"Apart from France and Belgium, where the latest beet tests show some catching up, we might now scale down our output estimates a bit," said C. Czarnikow analyst Mr Christopher Pack.

The London broker recently predicted EU beet output of 15.627m tonnes (raw value) compared with 17.408m in 1993-94.

Rain delayed spring sowings in Europe and a summer heatwave put severe stress on crops in July. Although August rain brought relief, cool and wet conditions in September limited root growth, analysts explained.

Reuters in US commodity news venture

By Alison Maitland

Reuters, the information and media group, yesterday announced that it was forming a joint venture with a farmers' co-operative in the US to market commodity information to North American commodity businesses.

The venture, which will be based in Kansas City, will bring together Reuters America and Farmland Industries, one of the biggest farmer-owned agricultural marketing and manufacturing co-operatives in the US, Reuters said.

The 50-50 venture will be called Market Communications Group, offering price quotations and analysis of commodity news, weather and markets, primarily by satellite.

Reuters has been taking advantage of the sharp price rises for many commodities this year, expanding editorial coverage in Asia, Europe, Africa and the Americas.

MARKET REPORT

Copper and aluminium lead afternoon rally at LME

All base metals clawed away from earlier lows in afternoon trading at the London Metal Exchange yesterday when flurries of renewed speculative interest emerged after copper and aluminium held above support.

COPPER snapped to a high of $2,562 a tonne for three months delivery before drifting back to $2,558, still down on Monday's $2,564 close but up from its low of $2,554.

Continuing consumer interest and support just below $1,600 a tonne saw the three months ALUMINIUM price chase higher on the back of short-covering. It finally settled at the day's high of $1,615, a gain of $7 from Monday's close.

NICKEL prices moved higher with copper but the market never fully recovered from its earlier mauling following the announcement of another sizeable LME stocks rise.

ZINC followed the same pattern and climbed from its low of $1,026 a tonne to end the day at $1,031 a tonne, a $14 loss overall.

Compiled from Reuters

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	-20,025	to 2,329,650
Aluminium alloy	-120	to 25,340
Copper	-1,250	to 365,050
Lead	+3,600	to 370,675
Nickel	+1,032	to 144,270
Zinc	+800	to 1,234,800
Tin	+30	to 32,185

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1583-84	1607-8
Previous	1583.5-84.5	1607-8
High/low		1615/1598
AM Official	1577-78	1601-2
Kerb close		1614-5
Open int.	252,132	
Total daily turnover	55,192	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1645-50	1660-61
Previous	1648-58	1665-70
High/low		1665/1660
AM Official	1645-50	1660-65
Kerb close		1660-5
Open int.	3,135	
Total daily turnover	453	

■ LEAD ($ per tonne)

Close	618-19	632.5-33.0
Previous	618.5-19.5	632-33
High/low		634/629
AM Official	616.5-17.0	631.5-32.0
Kerb close		633-4
Open int.	40,889	
Total daily turnover	7,938	

■ NICKEL ($ per tonne)

Close	6380-85	6483-85
Previous	6425-30	6525-30
High/low	6382	6520/6450
AM Official	6382-83	6480-85
Kerb close		6490-5
Open int.	65,847	
Total daily turnover	16,095	

■ TIN ($ per tonne)

Close	5345-55	5430-35
Previous	5377-82	5455-60
High/low		5450/5410
AM Official	5345-55	5425-30
Kerb close		5430-40
Open int.	16,610	
Total daily turnover	4,330	

■ ZINC, special high grade ($ per tonne)

Close	1002-5-3.5	1026.5-27.5
Previous	1021.5-22.5	1044.5-45.0
High/low		1043/1026
AM Official	1013-14	1037-37.5
Kerb close		1031-2
Open int.	98,915	
Total daily turnover	18,614	

■ COPPER, grade A ($ per tonne)

Close	2544-45	2556-57
Previous	2553-54	2561.5-62.0
High/low	2548.5	2562/2553
AM Official	2548.5-49.0	2557.5-58.0
Kerb close		2558-9
Open int.	214,098	
Total daily turnover	54,997	

■ LME AM Official £/$ rate: 1.5756
LME Closing £/$ rate: 1.5778

Spot:1.5770 3 mths:1.5749 6 mths:1.5722 9 mths:1.5665

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Sep	124.30	-3.50	128.00	123.00	1,725	509
Oct	120.25	-1.00	121.00	120.20	2,351	283
Nov	118.80	-0.20	118.40	118.40	711	115
Dec	118.35	+0.35	118.40	117.80	43,170	5,712
Jan	117.80	+0.45	-	-	573	86
Feb	117.20	+0.50	-	-	439	90
Total					50,764	7,337

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	395.20-395.40	
Opening	394.40-394.80	
Morning fix	394.15	250.349
Afternoon fix	395.80	251.349
Day's High	396.10-396.50	
Day's Low	394.00-394.40	
Previous close	395.70-396.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.53	6 months	4.82
2 months	4.55	12 months	5.16
3 months	4.61		

Silver Fix	p/troy oz.	US cts equiv.
Spot	359.56	566.50
3 months	364.45	573.45
6 months	370.25	581.30
1 year	384.30	598.65
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	397-400	252-255
Maple Leaf	406.05-408.55	
New Sovereign	92-95	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	398.0	+3.7	-	-	30	-
Oct	398.1	+3.6	398.5	395.0	4,605	937
Nov	399.7	+3.6	-	-	-	-
Dec	401.4	+3.6	401.8	397.9	107,255	22,489
Feb	404.7	+3.5	404.8	401.4	16,079	226
Apr	408.2	+3.5	408.3	405.5	7,137	142
Total					176,161	27,083

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	419.4	+1.1	419.8	417.0	7,156	1,507
Jan	424.3	+1.1	424.5	422.0	13,218	1,622
Apr	427.5	+1.1	427.5	426.5	2,497	31
Jul	431.0	+1.1	-	-	467	1
Oct	433.7	+1.1	-	-	329	1
Total					23,667	3,162

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	155.10	+0.60	-	-	34	11
Dec	155.85	-0.65	158.75	154.00	5,151	171
Mar	156.85	-0.65	157.70	155.25	1,178	14
Jun	157.95	-0.65	157.75	157.75	152	-
Total					6,515	196

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Sep	571.2	+8.0	568.0	566.0	282	83
Oct	572.5	+9.0	-	-	6	-
Nov	573.5	+8.8	-	-	91,033	13,034
Dec	578.0	+8.8	577.0	568.0	46	1
Jan	578.5	+8.8	578.5	571.5	10,373	439
Mar	584.5	+8.8	584.5	577.0	4,506	89
Total					118,506	13,676

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	17.72	+0.05	17.72	17.57	88,244	41,106
Dec	17.83	+0.03	17.85	17.73	63,236	20,236
Jan	17.93	+0.04	17.94	17.85	43,301	5,809
Feb	17.98	+0.06	17.98	17.89	21,763	3,269
Mar	17.95	-	17.96	17.95	17,032	1,662
Apr	18.06	+0.11	-	-	13,260	2,194
Total					382,793	82,672

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	16.67	+0.06	16.60	16.43	64,637	17,446
Dec	16.70	+0.08	16.73	16.56	39,188	5,957
Jan	16.75	+0.07	16.80	16.64	12,742	1,656
Feb	16.63	-0.03	16.63	16.63	8,539	170
Mar	16.75	+0.10	16.75	16.74	5,777	266
Apr	16.66	-	-	-	1,597	630
Total					137,612	25,187

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	47.95	+0.17	48.05	47.70	18,056	17,746
Nov	48.75	+0.05	49.00	48.65	31,139	12,281
Dec	50.00	+0.06	50.30	49.90	41,457	8,595
Jan	51.10	+0.16	51.20	50.90	29,644	2,943
Feb	51.65	+0.26	51.65	51.40	15,794	753
Mar	51.55	+0.56	51.65	51.35	12,322	962
Total					175,106	48,137

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	149.25	-2.25	150.50	149.25	29,352	5,614
Nov	152.00	-2.50	153.50	152.25	19,081	2,574
Dec	154.75	-2.50	156.25	154.75	21,058	2,549
Jan	157.00	-2.25	157.75	156.75	14,801	1,394
Feb	158.25	-1.75	158.75	158.00	5,237	634
Mar	158.25	-1.75	158.50	158.00	6,700	765
Total					104,668	13,830

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	1.660	-0.026	1.720	1.670	32,707	15,164
Dec	1.980	-0.030	2.015	1.980	30,118	2,722
Jan	2.062	-0.011	2.080	2.057	19,112	1,313
Feb	1.990	-0.003	2.000	1.980	14,324	931
Mar	1.940	-0.003	1.950	1.940	11,243	483
Apr	1.910	-0.010	1.920	1.900	8,666	472
Total					153,602	22,853

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	44.75	+0.48	44.75	43.45	14,843	13,457
Nov	44.85	+0.53	44.90	43.65	24,554	13,857
Dec	53.10	+0.30	53.20	52.50	12,148	2,543
Jan	53.00	+0.41	53.00	52.30	7,007	511
Feb	53.30	+0.31	53.30	52.90	3,874	255
Mar	54.10	+0.21	-	-	1,274	2
Total					71,988	30,875

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	106.35	+0.10	106.35	106.00	2,478	83
Jan	108.60	+0.15	108.60	108.20	1,906	71
Mar	110.55	+0.10	-	-	1,223	-
May	112.60	+0.15	112.60	112.25	1,363	20
Jul	114.60	+0.30	114.60	114.30	237	11
Total					7,269	185

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	391/2	-5/4	395/2	390/2	47,933	10,223
Mar	399/0	-4/6	402/6	398/0	19,305	3,365
May	386/0	-3/2	389/0	384/0	2,611	448
Jul	358/4	-3/4	359/6	354/0	4,619	606
Sep	359/0	-4/0	362/4	359/0	99	24
Dec	367/4	-4/4	370/0	367/4	81	4
Total					74,648	14,670

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	215/6	-1/0	218/4	215/4	135,126	14,261
Mar	225/6	-1/0	226/4	225/2	42,061	3,133
May	233/0	-1/0	234/0	232/6	16,975	1,012
Jul	237/6	-0/6	238/4	237/2	17,443	1,148
Sep	241/2	-1/0	242/0	241/2	1,198	33
Dec	245/2	-0/6	248/0	244/6	6,766	133
Total					219,636	18,760

■ BARLEY LCE (£ per tonne)

Nov	103.65	+0.10	-	-	482	-
Jan	105.50	-0.15	-	-	410	-
Mar	107.75	+0.10	107.75	107.50	100	10
May	109.25	-	-	-	46	-
Total					1,038	,10

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	554/2	-	556/4	552/6	78,272	11,196
Jan	564/6	+0/4	566/4	563/2	19,708	1,619
Mar	574/2	-	576/2	573/0	11,761	608
May	581/0	-0/2	582/4	579/6	6,928	523
Jul	586/5	-	589/0	585/0	11,895	458
Aug	587/6	-	-	-	289	23
Total					132,040	14,614

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Oct	25.77	-0.07	26.02	25.63	16,063	3,771
Dec	24.93	-0.14	25.13	24.84	38,257	6,006
Jan	24.64	-0.11	24.80	24.55	8,536	2,434
Mar	24.30	-0.14	24.50	24.25	8,584	927
May	24.01	-0.12	24.15	24.00	5,679	782
Jul	23.80	-0.08	23.95	23.80	3,911	418
Total					82,418	14,459

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Oct	165.4	+0.8	165.6	164.3	11,944	2,382
Dec	165.6	+0.4	165.9	164.9	44,067	6,244
Jan	167.4	+0.4	167.7	167.0	10,622	1,678
Mar	171.0	+0.2	171.4	170.5	11,071	777
May	173.7	+0.5	173.8	173.1	5,896	254
Jul	176.6	+0.4	176.9	176.0	3,871	451
Total					88,791	12,045

■ POTATOES LCE (£/tonne)

Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	223.3	+5.5	223.5	219.0	1,263	129
May	237.5	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,263	129

■ FREIGHT (BIFFEX) LCE ($10/index point)

Sep	1621	+1	-	-	223	-
Oct	1655	-5	1663	1655	749	31
Nov	1648	-12	1655	1650	185	24
Jan	1595	-2	1600	1595	689	51
Apr	1603	-	1595	1595	417	3
Jul	1445	-8	1450	1450	107	30
Total					2,390	139

	Close	Prev
BFI	1616	1609

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	964	+11	-	-	5	-
Dec	997	+2	999	986	27,428	947
Mar	1029	-	1031	1019	36,427	704
May	1041	-1	1042	1036	12,674	100
Jul	1055	+2	1055	1053	5,833	48
Sep	1069	+4	-	-	9,339	-
Total					104,868	2,040

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1350	+1	1361	1347	41,730	6,150
Mar	1400	-1	1411	1396	15,731	828
May	1430	0	1440	1428	5,164	80
Jul	1458	-5	1462	1460	2,839	10
Sep	1485	-5	-	-	1,304	10
Dec	1511	-5	-	-	4,920	74
Total					76,205	7,157

■ COCOA (ICCO) (SDR's/tonne)

Sep 26	Price	Prev. day
Daily	1025.11	1034.90

■ COFFEE LCE ($/tonne)

Sep	4163	-100	4235	4160	1,206	159
Nov	4023	-60	4045	3955	11,002	2,903
Jan	3978	-61	4000	3920	14,909	2,318
Mar	3901	-44	3910	3845	7,392	214
May	3847	-48	3860	3795	2,285	106
Jul	3808	-55	3810	3800	1,229	25
Total					38,026	5,727

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	219.95	-6.65	224.00	219.25	22,497	5,353
Mar	223.50	-6.45	226.50	223.00	8,962	906
May	225.00	-5.85	227.60	224.85	3,498	258
Jul	225.25	-6.00	226.00	226.00	1,117	67
Sep	225.75	-6.00	226.50	226.00	460	63
Dec	226.25	-6.00	229.00	227.00	627	46
Total					37,151	6,663

■ COFFEE (ICO) (US cents/pound)

Sep 26	Price	Prev. day
Comp. daily	209.08	208.62
15 day average	203.84	202.85

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Oct	12.70	-0.10	12.80	12.60	1,101	662
Jan	11.82	-	-	-	-	-
Mar	12.66	-	-	-	90	-
Total					1,191	662

■ WHITE SUGAR LCE ($/tonne)

Dec	328.70	-3.20	332.00	327.60	3,623	320
Mar	328.20	-3.40	332.70	328.00	7,854	380
May	329.20	-3.20	332.90	328.50	1,204	155
Aug	329.10	-3.00	332.20	328.00	1,075	93
Oct	312.80	-3.20	-	-	414	-
Dec	311.70	-3.20	-	-	4	-
Total					14,174	948

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	12.54	-0.14	12.70	12.43	15,723	8,647
Mar	12.45	-0.15	12.60	12.35	102,539	11,589
May	12.46	-0.14	12.58	12.34	18,443	1,589
Jul	12.35	-0.14	12.46	12.23	10,457	1,375
Oct	12.12	-0.11	12.24	12.05	6,673	1,069
Mar	11.67	-0.13	11.80	11.65	1,042	24
Total					163,067	24,292

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	67.70	-0.58	68.40	67.50	501	302
Dec	67.20	-0.37	67.70	66.80	27,768	6,341
Mar	68.95	-0.42	69.40	68.85	10,443	813
May	70.20	-0.57	70.77	70.00	5,688	406
Jul	71.25	-0.60	71.85	70.81	3,981	86
Oct	68.60	-0.20	68.90	68.60	468	4
Total					50,566	8,029

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	97.85	-1.50	99.40	96.80	9,797	3,598
Jan	101.10	-1.65	103.00	100.25	6,677	1,707
Mar	104.35	-1.60	105.70	103.70	4,466	389
May	107.70	-1.75	108.20	107.00	1,039	104
Jul	110.75	-1.20	-	-	609	4
Sep	113.25	-1.20	-	-	26	5
Total					23,065	5,769

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	69.150	-0.850	69.900	69.075	24,445	5,256
Dec	68.700	-0.425	69.125	68.600	21,021	3,710
Feb	67.650	-0.225	67.925	67.600	14,078	1,550
Apr	69.100	-0.275	69.400	69.050	9,446	984
Jun	66.000	-0.250	66.250	66.000	2,058	48
Aug	65.675	-0.275	65.850	65.550	1,069	12
Total					72,258	11,541

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	37.275	-0.375	37.800	37.200	8,492	1,749
Dec	37.850	-0.450	38.300	37.725	12,752	1,999
Feb	38.825	-0.575	39.175	38.550	4,401	521
Apr	38.750	-0.450	39.250	38.725	2,840	334
Jun	44.025	-0.375	44.300	43.900	875	76
Aug	42.825	-0.250	43.050	42.825	118	10
Total					29,119	4,495

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	39.100	0.150	39.600	38.900	7,772	970
Mar	39.200	0.075	39.550	38.975	679	97
May	40.100	0.200	40.450	40.100	159	5
Jul	40.900	0.200	41.400	40.850	205	33
Aug	39.950	0.150	39.950	39.950	45	4
Total					8,860	1,109

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1600	15	73	18	57
1625	6	61	34	70
1650	2	50	55	84
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2500	61	117	7	65
2550	28	91	24	88
2600	9	69	55	115
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	438	524	15	135
3650	394	492	21	164
3700	351	461	28	183
■ COCOA LCE	Dec	Mar	Dec	Mar
975	52	102	30	48
1000	39	88	42	59
1050	21	65	74	86
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1650	37	63	36	67
1700	14	42	70	-
1750	5	28	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)

		+or-
Dubai	$15.22-5.32u	-0.075
Brent Blend (dated)	$16.06-6.08	-0.020
Brent Blend (Nov)	$16.41-6.43u	-0.040
W.T.I. (1pm est)	$17.55-7.57u	-0.065

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$169-172	-3
Gas Oil	$151-152	-1
Heavy Fuel Oil	$73-75	-1
Naphtha	$159-160	-1
Jet fuel	$171-172	-2

Petroleum Argus assessments

■ OTHER

Gold (per troy oz)♣	$395.40	-0.55
Silver (per troy oz)♣	565.0c	-2.50
Platinum (per troy oz.)	$418.00	-1.75
Palladium (per troy oz.)	$155.00	-0.50
Copper (US prod.)	132.0c	
Lead (US prod.)	38.25c	
Tin (Kuala Lumpur)	13.56m	+0.09
Tin (New York)	250.5c	-2.0
Cattle (live weight)†⊙	115.88p	+0.46*
Sheep (live weight)†♣⊙	87.76p	+0.46*
Pigs (live weight)⊙	75.77p	+0.86*
Lon. day sugar (raw)	$313.4	+3.4
Lon. day sugar (wte)	$339.3	+2.8
Tate & Lyle export	£312.0	+3.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$136.0	
Wheat (US Dark North)	£180.0	
Rubber (Nov)♥	90.00p	+1.00
Rubber (Dec)♥	89.50p	
Rubber KL RSS No1 Oct	337.50m	+2.00
Coconut Oil (Phil)§	$655.0z	-5.0
Palm Oil (Malay.)§	$622.5t	-7.5
Copra (Phil)§	$420	
Soyabeans (US)	£156.0z	
Cotton Outlook 'A' index	74.10c	-0.40
Wooltops (64s Super)	463p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov. t Oct. z Sep/Oct. w Sep . ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. ⊙ Prices are for previous day.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,650-5,800 (5,500-5,650). Bismuth: min. 99.99%, tonne lots 3.75-4.00 (3.75-4.00). Cadmium: min. 99.5%, 190-210 (160-165) cents a pound. Cobalt: MB free market, 99.8%, 27.50-28.20 (27-28); 99.3%, 25.50-25.80 (24.50-25.50). Mercury: min. 99.99%, $ per 76 lb flask, 110-130. Molybdenum: drummed molybdic oxide, 3.80-3.90 (3.75-3.85). Selenium: min 99.5%, 3.35-4.55. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 43-53 (37-47). Vanadium: min. 98%, cif, 1.35-1.50 (1.40-1.50). Uranium: Nuexco exchange value, 7.10.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

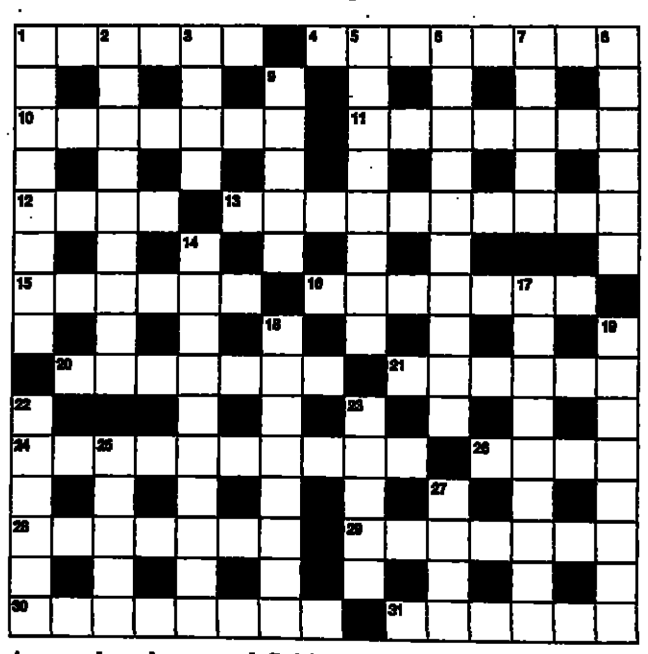
Sep 27	Sep 26	month ago	year ago
2113.1	2120.8	2104.4	1587.0

■ CRB Futures (Base: 1967=100)

Sep 26	Sep 23	month ago	year ago
232.24	232.74	232.20	215.71

CROSSWORD

No.8,570 Set by GRIFFIN

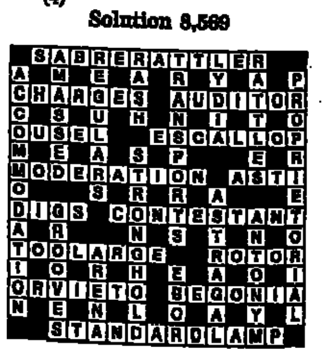


Across clues have no definitions but are all connected with sport. Down clues are normal.

ACROSS
1 Protester loses his head (6)
4 An unusual corselet (8)
10 Les runs round flat (7)
11 Instruct her to be less hard (7)
12 Interview an ex-copper (4)
13 Went in prison first (6,4)
15 Love to write on a ruler (6)
16 Wind blew me last bit of way (7)
20 Teacher I abandoned carrying tricycle (7)
21 It's OK to rest when shattered (6)
24 Part of target outside range (10)
26 Sounded sad, people say (4)
28 Catch All Black in centre (7)
29 Offender takes very little money (7)
30 A rug sure needs shaking (8)
31 Galileo left without dancing (6)

DOWN
1 Dislike having to declare I introduced boy (8)
2 Brightest bar in Church Street (9)
3 Woman starts rowing at any time! (4)
5 Need trained dog to enter as required (8)
6 Once Bill shot beater to aggravate! (10)
7 Numbers on key strung up (5)
8 Skate round redhead with sex-appeal – something unusual! (6)
9 Heard you on pipe, exercising (5)
14 To run off with one couple is lawful (10)
17 Moving book back before messing with an oil (9)
18 University library opens in vault having small cavities (8)
19 He's in the back on the South-East train (8)
22 Covers pupil needing one car badly (6)
23 Drinks said to irritate (5)
25 Treat sick fish (5)
27 Cover hole by swimming area (4)

Solution 8,569



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Shares steadier but await news from the FOMC

By Terry Byland,
UK Stock Market Editor

Selling pressure lifted somewhat in the UK stock market yesterday and, although investors remained cautious ahead of news from the US Federal Reserve's Open Market Committee meeting, the FT-SE 100 Index managed to regain the 3,000 mark.

Traders said that technical pressures had slackened, and that marketmakers had largely succeeded in passing on the lines of stock left with them by the recent spurt of trading programmes. But two more, albeit smaller, programmes were reported yesterday and nervousness over the medium term outlook for equities continued to restrain trading volume.

A firm opening on Wall Street, more than 15 Dow points up in UK hours, helped London at the close, as did a steadier trend in bond markets. However, the chances that a tightening of Federal Reserve credit policy could emerge in the wake of yesterday's FOMC meeting continued to overshadow London.

The FT-SE 100-share Index closed 8.7 up at 3,008.5, having touched 3,011.3 earlier. The market's return to relative health was also encouraged by a better tone in stock index futures, where the December contract on the Footsie traded briefly during the day at a genuine premium, in contrast with its recent performance.

The improvement in the market's technical position may help share prices rally over the immediate term – provided that some investment support for equities reappears. However, few analysts believe that the clouds have lifted in any permanent sense.

Market concern that institutional investors are downgrading their equity holdings were further increased when Mr Barton Biggs, strategist at Morgan Stanley, the US investment bank, reduced the weighting of European stocks in his global portfolio by 2 percentage points to 6 per cent.

The two trading programmes spotted yesterday appeared to range across the full breadth of the stock market, taking in non-Footsie as well as blue chip issues. The FT-SE Mid 250 Index, drawing less benefit from stock index futures than the FT-SE 100 Index, slipped 3.9 to 3,517.5.

Trading volume improved only slightly, the day's Seaq total of 544.9m shares comparing with 515.8m in the previous session. Monday's retail business was worth £1.22bn, at the low end of daily averages but still a healthy figure from the point of view of the London based securities industry, and an indication that the big institutions are not absent from the London equity market.

Trading statements from leading British companies produced some features but again failed to encourage the stock market as a whole. In the construction sector, good figures from Tarmac stimulated confidence in the progress of recovery in the domestic economy but brought out profit-takers in the shares.

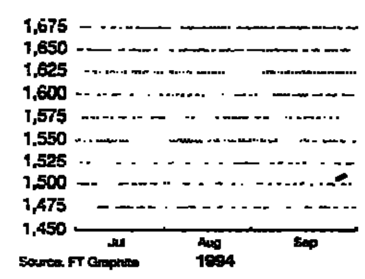
In a generally uncertain retail sector, the first-half report from Sears was followed by increased activity in the shares although no lasting improvement in the share price.

Recoveries in bank shares, in the leading pharmaceuticals and in selected consumer stocks was ascribed to the clearing away of the debris left behind by the recent selling bout.

These sectors featured in the series of selling programmes reported since the middle of last week and are also closely linked to activity in the Footsie stock index future contract, which has been leading the market lower.

Marketmakers are believed to have cleared their trading books, for the time being at least, and would therefore respond readily to any sign of buying interest in equities. But the market is likely to be poised for any reaction on Wall Street to the FOMC meeting.

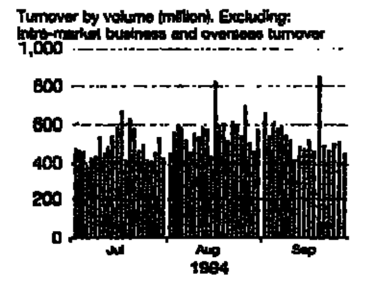
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3008.5	+8.7	FT Ordinary Index	2340.0	+8.6
FT-SE Mid 250	3517.5	-3.9	FT-SE-A Non Fins p/e	18.47	(18.45)
FT-SE-A 350	1516.8	+3.0	FT-SE 100 Fut Dec	3018.0	+9.0
FT-SE-A All-Share	1507.56	+2.34	10 yr Gilt yield	9.01	(8.99)
FT-SE-A All-Share yield	3.99	(3.99)	Long gilt/equity yld ratio:	2.26	(2.25)

Best performing sectors		Worst performing sectors	
1 Electronic & Elect Eq	+1.5	1 Building & Construct	-1.2
2 Life Assurance	+1.4	2 Merchant Banks	-0.8
3 Distributors	+1.2	3 Water	-0.8
4 Insurance	+1.0	4 Other Financial	-0.7
5 Extractive Industries	+1.0	5 Electricity	-0.6

Heavy fall in Sharelink

Lingering worries that the recent poor performances and extreme turbulence in bond and equity markets could have taken a heavy toll on dealing profits around the trading desks of the City's merchant and clearing banks suddenly increased after Sharelink, the Birmingham-based stockbroker, warned that it would make a £500,000 interim loss.

Sharelink plunged 51 to an all-time low of 187p – compared with a peak 434p reached in November last year – following the warning of the loss, which it said was caused by expenditure on development projects. More worrying for market analysts was news that low UK market volumes throughout the first six months of the financial year had caused Sharelink to trade at below break even for the first third of the year. But the company said it expected to make operating profits of £200,000 for the first half.

The Sharelink news caused ripples of selling among other stocks involved in market trading activities. Smith New Court, London's leading marketmaking firm, retreated 14 to 400p.

Merchant banks were affected by a bearish research note published by NatWest Securities which took the view that the market is expecting too much in terms of mergers and acquisition activity.

Mr Stephen Kirk, NatWest Securities' merchant banks analyst, said: "Future profits are likely to disappoint and we retain our negative stance on the sector."

Schroders, which dropped 30 to 1403p, is NatWest's only straight sell in the sector, although it recommended reducing holdings in Kleinwort Benson, marginally firmer at 467p, and Hambros, a penny easier at 268p.

Enterprise wanted

Enterprise Oil was the pick of an otherwise subdued oil sector, the shares moving ahead 7 to 387p after sustained buying interest from Goldman Sachs, the influential US investment bank.

Goldman was said to have pinpointed Enterprise as the cheapest oil stock in the world, after Saga Petroleum, on the basis of a prospective cash flow multiple for 1995. The investment bank was also said to have highlighted the potential for further upgrading of Enterprise's Scott and Nelson oil fields. Other oil sector analysts said Enterprise shares were at the low end of the trading range and oversold.

BA pressured

British Airways shed 7 to 364p following further skirmishing in the trans-Atlantic air fares war with the news that Northwest Airlines has put out a special five-month offer, cutting rates by up to 50 per cent.

Northwest is the fourth largest US carrier and its aggressive price move sparked trading volume of 2.5m in BA shares.

Bus operator Go-Ahead was 10 higher at 143p on the back of a buy recommendation from Panmure Gordon following last week's strong interim results.

News of yet more share buybacks by the regional electricity companies failed to trigger any outperformance by the stocks involved.

Seeboard slipped 3 to 417p in spite of announcing that it had bought in 750,000 shares at that price, while South Wales acquired 476,000 at prices between 795p and 803p. South West, steady at 749p, said it had bought in 250,000 shares at 752p.

De La Rue, the banknote printing group, was among the FT-SE 100's best performers, racing up 21 to 927p after buy recommendations from UBS and S.G. Warburg Securities.

Ahead of this morning's City meeting with analysts, Williams Holdings advanced 9 to 337p. Turnover in the shares was 3.6m, but the most active diversified industrial was Tomkins with 7.3m changing hands and the shares 3 firmer at 209p. The story among dealers was that a major securities house, possibly NatWest Securities, had finally cleared a big overhang of Tomkins stock.

British Steel moved up 3 to 165½p on 8.7m shares dealt, with Goldman Sachs said to be especially active in the company's stock options, where the equivalent of 1.2m shares were traded yesterday.

Some smaller engineering stocks had a bad day, Whessoe plummeting 21 to 96p. Transfer Technology tumbled 14 to 54p following weak half-year results and a cautious forecast about full-year earnings.

Johnson Matthey was 13 lower at 551p in spite of the generally bullish tone of the company's US presentation to analysts.

Turnover in Anglo-US conglomerate Hanson rose to 9.9m and the shares gained 3¼ at 234p after NatWest Securities recommended the stock and upgraded profits expectations.

Raising its current year forecast by £30m to 980m, NatWest held its estimate for the following year at £1.34bn. The securities house said recent weakness in the stock due to technical selling by US investors now provided a good buying opportunity for the shares.

A poor interim results meeting with analysts left retailing group Sears 1¼ lighter at 106p.

However, Hoare Govett continues to favour the stock and analysts at the broker said: "We think Sears has managed the process from pure recovery to growth well. The mid-term earnings growth potential looks encouraging."

House Of Fraser, which reported interim figures for the first time, put on 4 at 211p.

A strong recommendation from NatWest Securities boosted Body Shop, the shares advancing 9 to 218p. Advising investors to add to holdings, NatWest said: "The restructured management and retail focus is unlocking the international growth potential."

A broker's recommendation helped the leading stocks in the food retailing sector shake off some of the recent gloom that has brought a slide in share prices as fears of an impending price war took hold.

Credit Lyonnais Laing said the recent retreat in the top stocks in the sector had been overdone and current levels provided a good buying opportunity. Argyll Group hardened a penny to 266p and Tesco put on 2 at 230p. J. Sainsbury, down sharply in recent sessions, closed 3 ahead at 394p.

Hazelwood Foods relinquished 5 to 120p as Hoare Govett became the latest securities house to downgrade profits expectations. Hoare cut its forecast by £6m to £39m for the year to March 1995, citing "the sharp increase in potato prices and other competitive pressures in the non-food division".

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (15).
ELECTRNC & ELECT EQUP (1) TGI 1p. ENGINEERING (1) Brit. Steel. EXTRACTIVE INDS (2) Harmony, Impala Platinum. FOOD MANUF (1) Barr (AG). INVESTMENT TRUSTS (2) LEISURE & HOTELS (4) Bristol Scotts, First Choice Holidays, Northern Dev. 96/01, Zetters. RETAILERS, GENERAL (1) Stylo. TEXTILES & APPAREL (1) Wensum. TRANSPORT (2) Go-Ahead, P&O 5½pc Pfd.
NEW LOWS (108).
GILTS (1) BANKS (1) Espirito Santo. BREWERIES (1) Fuller STA. BUILDING & CNSTRN (10) Beazer, Birse, Bryant, Gleeson (M.J), Higgs & Hill, Laing (J), Do. A NV, Wilson Bowden, Wilson (C), Wimpey (G). BLDG MATLS & MCHTS (3) Heywood Williams, Meyer Intl., Tarmac 50p. DISTRIBUTORS (11) Charles Sidney, Cowie, Diploma, Enterprise Comp., Eurodollar, Farnell Elec., Lex Service, Litho Supplies, Millgate, Pendragon, Ross. DIVERSIFIED INDLS (2) Bado, Tomkins. ELECTRNC & ELECT EQUP (4) Bowthorpe, Dowding & Mills, Telemetrix, VideoLogic. ENGINEERING (8) Aromascan, Hill & Smith, Meggitt, Morgan Crucible 7½pc Prf., Nectronics Tech., TransTec, Verson Intl., Whessoe. EXTRACTIVE INDS (1) Starmin. FOOD MANUF (2) Everest, Unigate. HEALTH CARE (2) AAH, United Drug. HOUSEHOLD GOODS (1) Lionheart. INVESTMENT TRUSTS (14) INVESTMENT COMPANIES (2) JF Pacific Wrts., Latin Am. Extra Yld., LEISURE & HOTELS (1) Tring Intl., LIFE ASSURANCE (1) Transatlantic. MEDIA (3) Barbour Index, Copyright Promotions, SelecTV. OIL EXPLORATION & PROD (1) Europa Energy. OTHER FINANCIAL (8) Aberdeen Tst., BWD Secs., Brewin Dolphin, MAI, Secure Tst., Sharelink. OTHER SERVS & BUSNS (1) Platignum. PHARMACEUTICALS (2) Grampian, Proteus Intl., PRTNG, PAPER & PACKG (4) Hunters Armley, Parkside Intl., Serif, Sidlaw. PROPERTY (9) Allied Lon. 5¾pc Prf., CLS, Daejan, Ex-Lands 7½pc Cnv. 2020, Fletcher King, Hammerson, Mucklow (A&J), Peel, Southend. RETAILERS, GENERAL (2) Country Casuals, Courts. SUPPORT SERVS (5) ACT, Coutts Consulting, Macro 4, Novo, Sketchley. TELECOMMUNICATIONS (1) Cable & Wireless. TEXTILES & APPAREL (4) Chamberlain Phipps, Drikle Heel, Lamont, Richards. TRANSPORT (3) Mayne Nickless, Tibbett & Britten, Transport Dev., AMERICANS (3) Ingersoll-Rand, Merrill Lynch, NYNEX.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved higher yesterday, and although trading volume was low – at under 10,000 contracts – the market's broad undertone was said by dealers to be much improved.

Ahead of the FOMC meeting in the US, it was mostly a day of waiting on events, with just 9,478 contracts traded in the December FT-SE 100 future, down from 16,295 on Monday.

The independent traders mostly had the field to themselves and as a result the December contract moved around sharply at times.

Dealers said the most encouraging aspect of the session was the solid, general support shown when the contract touched 3,000 around midday.

Once or twice the premium to the cash market extended to some 20 points, which put the premium, briefly, in excess of fair value for the first time in weeks.

December peaked at 3,030.3 just before the afternoon close and ended nine points up at 3,018. At this level the premium to the cash market is 9½ and the premium to fair value around 18.

Traded option volume was 34,570 lots, down from a previous 39,507. FT-SE turnover was 10,776 but the Euro FT-SE was barely traded. British Gas was easily the most active individual stock option with 3,040 contracts. HSBC managed 1,955 lots and BP 1,705.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3014.0	3018.0	+8.0	3030.0	3000.0	10453	51156
Mar	3038.5	3041.5	+8.0	3038.5	3038.5	10	2105

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3520.0	3529.0	+4.0	3530.0	3520.0	300	3369

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Dec	3529.0		0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3008) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Oct	167	12½	125½	20½	90	34	59	53	36	79½	28	114½	10½	155½	5	201
Nov	190½	29	154	41½	119	55	90	78½	65	101½	44½	131½	30½	168	18½	207½
Dec	208½	42½	171½	57	140½	75½	112	98½	86½	120½	65	148½	48	181½	32½	218
Jan	234½	58½	197½	71	166½	89½	138½	109	108½	132	86½	159½	65	189½	50½	225
Jun†			258	105½			197½	143			151	195½			108½	255½

Calls 1,613 Puts 9,917

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P
Oct	190½	10½	147½	17	107½	27	74	43	46½	65½	28	97	16½	134	7½	176
Nov	211	22½	172½	33½	137	48	105½	56	78½	89½	58	115½	38	147	24½	183
Dec	225½	35	189½	48½	156	64	126	83½	99½	105½	75	131½	55	160½	38½	193
Mar	270½	60½			203	90			146	130			100	181		
Jun†	311	81½			247	113			190	151½			140	197½		

Calls 483 Puts 137 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500	3550	3600	3650	3700	3750	3800	3850
Oct	168¾ 82⅞	131½ 104⅞	107⅝ 130⅛					

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Sep 27	Day's chge%	Sep 26	Sep 23	Sep 22	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3008.5	+0.3	2999.8	3028.2	3021.2	3036.9	4.20	7.25	16.28	104.76	1139.28
FT-SE Mid 250	3517.5	-0.1	3521.4	3560.9	3562.1	3437.8	3.55	5.83	20.86	96.05	1309.34
FT-SE Mid 250 ex Inv Trusts	3517.7	-0.1	3522.4	3561.0	3584.0	3449.1	3.70	6.30	19.24	101.59	1308.40
FT-SE-A 350	1516.8	+0.2	1513.8	1528.7	1526.1	1519.9	4.05	6.92	17.12	50.39	1174.31
FT-SE SmallCap	1827.42	-0.4	1834.12	1844.06	1846.45	1766.51	3.23	4.76	26.39	43.71	1417.52
FT-SE SmallCap ex Inv Trusts	1800.00	-0.4	1806.93	1815.89	1818.85	1765.45	3.42	5.26	24.14	44.96	1400.04
FT-SE-A ALL-SHARE	1507.56	+0.2	1505.22	1519.58	1517.35	1506.87	3.99	6.76	17.58	49.06	1187.10

■ FT-SE Actuaries All-Share

	Sep 27	Day's chge%	Sep 26	Sep 23	Sep 22	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2644.87	.....	2646.01	2686.24	2689.42	2310.00	3.48	5.17	24.44	81.42	1064.49
12 Extractive Industries(4)	4020.16	+1.0	3982.07	4018.15	4008.61	3235.40	3.19	5.10	24.27	96.24	1109.23
15 Oil, Integrated(3)	2565.88	-0.4	2575.13	2593.56	2597.83	2248.80	3.68	5.86	21.25	85.60	1055.34
16 Oil Exploration & Prod(11)	1905.26	+0.8	1889.93	1907.49	1916.89	1872.50	2.18	‡	‡	38.03	1102.35
20 GEN MANUFACTURERS(266)	1888.52	+0.3	1882.58	1896.97	1893.36	1897.90	4.03	5.10	23.73	61.34	982.70
21 Building & Construction(33)	1054.71	-1.2	1067.49	1077.37	1077.23	1161.60	3.71	5.17	25.55	28.16	824.82
22 Building Matls & Merchs(32)	1840.54	-0.3	1845.58	1864.96	1846.87	1845.50	4.01	4.98	24.53	55.15	886.12
23 Chemicals(23) to 89 FT-SE-A ALL-SHARE(838)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,100	394½	
ASDA Group†	3,300	61¼	-¼
Abbey National†	1,800	395	+2
Albert Fisher	324	47	
Allied Domecq†	1,300	572	+2
Anglian Water	169	530	-6
Argos	489	318	
Argyll Group†	4,100	266	+1
Arjo Wiggins†	2,100	266	
Remaining rows (Assoc. Brit. Foods to Zeneca)	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr	Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Allied Domecq	540	38½	-	-	3½	-	-	Hanson	220	19	22½	25	3½	7	9
(*571)	589	9	-	-	24½	-	-	(*234)	240	6½	11½	15	12	17	19½
Argyll	260	14	21½	28	6	14½	19	Lasmo	134	22	-	-	3	-	-
(*266)	280	4½	12	16½	18	26	31	(*151)	154	8	-	-	11	-	-
Remaining rows	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	30	10
Other Fixed Interest	1	3	11
Mineral Extraction	26	87	83
General Manufacturers	82	160	383
Consumer Goods	37	50	100
Services	61	131	305
Utilities	3	31	11
Financials	47	131	188
Investment Trusts	42	106	318
Others	31	41	31
Totals	360	790	1440

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	September 26	Expiry	December 29
Last Dealings	October 7	Settlement	January 13

Calls: Alliance Res, CRP Leisure, Dorling Kindersley, Etam, Panther Sec, Regent Corp, Scot Hydro, Tadpole Tech, Tullow Oil. Puts: CRP Leisure, Tullow Oil.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	16.1	102	95	Beacon Inv Tst	95		-	-	-	-
-	F.P.	1.52	48	39	Do. Warrants	40		-	-	-	-
§125	F.P.	18.2	130	118	Compel	119	-4	WN4.0	2.1	4.2	11.5
-	F.P.	1.30	1½	1	Cont'l Foods Wrts	1¼		-	-	-	-
-	F.P.	24.4	62	61	Emerging Mkts C	61		-	-	-	-
112	F.P.	21.4	120	118	Independent Parts	120		LN4.0	2.1	4.2	14.5
180	F.P.	18.2	195	180	Mackie Intl	189	-6	RN8.0	2.2	4.0	7.7
80	F.P.	24.1	85	78	Ryland	85		LN3.5	1.7	5.1	14.0
-	F.P.	3.50	44	27	Suter Wrts 99/04	30	+1	-	-	-	-
-	F.P.	114.7	379	371	Templeton E New	371	-1	-	-	-	-
-	F.P.	12.5	212	192	Do. Wrts. 2004	202		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
475	Nil	4/10	59pm	15pm	Commercial Union	22pm	+1
360	Nil	21/10	48pm	13pm	EMAP	17pm	+4
160	Nil	17/10	9pm	2pm	Jermyn Inv.	2pm	
252	Nil	11/11	34pm	7pm	Weir	7pm	-½

FINANCIAL TIMES EQUITY INDICES

	Sep 27	Sep 26	Sep 23	Sep 22	Sep 21	Yr ago	*High	*Low
Ordinary Share	2340.0	2331.4	2347.2	2340.2	2337.6	2329.5	2713.6	2240.6
Ord. div. yield	4.39	4.41	4.37	4.39	4.40	4.00	4.48	3.43
Earn. yld. % full	6.33	6.35	6.30	6.34	6.30	4.70	6.34	3.82
P/E ratio net	17.43	17.38	17.51	17.20	16.94	27.15	33.43	16.94
P/E ratio nil	17.69	17.64	17.76	17.67	17.51	25.06	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2332.3	2334.5	2333.4	2336.5	2335.3	2334.9	2334.9	2336.4	2340.9	2341.5	2327.8

	Sep 27	Sep 26	Sep 23	Sep 22	Sep 21	Yr ago
SEAQ bargains	23,734	24,526	23,514	23,263	24,511	30,142
Equity turnover (£m)†	-	1222.3	1159.9	1337.8	1356.8	1686.9
Equity bargains†	-	24,990	27,947	26,204	27,107	33,407
Shares traded (ml)†	-	452.6	509.4	489.0	475.9	523.4

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£20¾	-⅛	£25⅛	£20¾	6,236	5.4	ϕ
ANZ A$		182	-1	278¼	179¼	2,422	5.2	27.7
Abbey National	†N□	385xd	+2	523	361	5,051	5.0	12.9
Allied Irish I£	♣†N□	238xd	+5	314	233	1,573	5.3	9.1
Anglo Irish I£	M□	58	-1	76	50	192.7	7.7	10.2
Asahi Y		691½	-16½	819¼	628	16,945	0.7	ϕ
Banco Bil Vz Pta		£15⅝	+⅛	£18⅞	£14⅝	3,582	5.4	6.9
Banco Sant Pta		£28⅛	—	£30½	£23¾	3,948	5.5	9.1
Bk Ireland I£	♣□	273	—	319	246	1,290	4.8	7.9
Bank Scotland	♣M□	201	-3	247	172½	2,345	3.1	16.4
9¼pc Pf		111½	—	141½	111	111.5	10.4	–
9¾pc Pf		117	+¼	149½	116	117.0	10.4	–
Barclays	♣†N□	566xd	+4	640	467	9,116	3.7	10.8
Dai Ichi Kan Y		£11⅝	-⅛	£12⅞	£10⅝	35,456	0.5	–
Deutsche DM		£284⅞	-1⅞	£344¼	£270⅞	13,538	2.4	–
Espirito Santo		[illegible]	—	[illegible]	[illegible]	186.5	4.4	4.4
First Nat Fin	N□	73½	-½	90	60	124.1	2.8	–
6.3pc Cv Pf		76	—	98	76	9.11	10.4	–
7pc Cv Pf		134	—	171	123	60.8	6.5	–
Fuji Bank Y		1345¾	-30	1549¼	1152½	38,902	0.4	ϕ
HSBC HK	†N□	716xd	—	1133	680	12,585	4.3	10.4
HSBC (75p Shs)	†N□	698xd	—	1113	680	6,533	4.4	10.1
Lloyds	†N□	542xd	+6	660	519	7,016	5.3	10.7
Mitsubishi Y		£15⅞	-⅛	[illegible]	[illegible]	45,403	0.3	ϕ
Mits Tst & Bk Y		943½	-22	1162¼	687½	11,304	0.5	14.7
Mitsui Tst & Bk Y		666¼	-13¼	879	514	8,245	0.6	22.6
Nat Aust A$	†	484	-2	620¼	479	6,478	5.7	10.3
NatWest	†N□	474xd	-3	622	421	7,992	5.1	8.6
Occidente FFr		£21¼	—	[illegible]	[illegible]	186.6	8.7	ϕ
Ryl Bk Scotland	♣†N□	422	—	526	377½	3,380	3.8	19.1
Sakura Y		[illegible]	[illegible]	[illegible]	[illegible]	27,524	0.7	50.4
Sanwa Y		£12⅛	[illegible]	[illegible]	[illegible]	36,548	0.5	–
Standard Chartd	†N□	249xd	-5½	358¼	223	2,382	3.2	8.5
7 3/8pc Pf		83xd	—	108½	82¼	83.6	11.1	–
Sumitomo Y		£11¼	-⅛	£16⅛	£11½	38,896	0.5	24.8
[illegible]		[illegible]						

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's
Toronto-Dom		9¹⁄₈xd	+⅛	11⅝	9⅛	2,885	3.9
Trans Can Pipe	♥	8⅞	-⅟₁₆	10⅞	7¹³⁄₁₆	1,601	4.8

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¼	—	£30	£13½	1,808	2.5	21.4
Barlow	Z	84⅞	—	86½	£3½	814.8	0.8	–
Gold Flds Prop R		118xd	—	128	75	12.1	7.9	ϕ
MK Props	z	85	—	95	85	3.42	14.1	ϕ
SASOL	♥	486	—	558	280	2,828	2.8	–
SA Brews		£11⅞	—	£16⅞	£10	3,289	2.3	19.4
Tiger Oats	†	813	—	838	538	921.8	2.6	12.9
Tongaat-Hulett	h	882	—	*818½	356¼	548.7	2.1	16.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. *Dividends and Dividend covers are published on Monday.*

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xC ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exempt Aug 31	770.6	797.0	—	0.95
Baring Investment Mngmt Ltd				
UK Growth & Income	[illegible]	[illegible]	—	[illegible]
Income Plus	[illegible]	[illegible]	—	[illegible]
CAF – Charity Money Management				
Balanced Growth	[illegible]	[illegible]	—	[illegible]
Income	[illegible]	[illegible]	—	[illegible]
CIM Unit Trust Managers Ltd				
Cent. Bd. of Fin. of Church of England				
Charities Official Inv Fd				
Charity Fixed Int Fd/Charity Equity Fd				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AEGON Life Assurance Co (UK) Ltd

AEGON Hse, Lanark Sq, London E14 9XS

[illegible]

Albany Life Assurance Co Ltd

[illegible]

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

American Phoenix Investment Portfolios (u)

BAII Intermarket Fund

2 Boulevard Royal, Luxembourg 010 352 4500 3952

Bank Von Ernst & Cie AG

Von Ernst Global Portfolio

Henderson Management SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

Aetna International Umbrella Fund (u)

Lombard Odier Invest (u)

MFS International Funds

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey)

Adig Investment

Asian Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar edges down

The dollar fell by nearly a pfennig in late trading yesterday as markets waited to see if the US Federal Open Markets Committee, the policy-making arm of the Federal Reserve Board, would raise interest rates, *writes Motoko Rich.*

Against the yen, the dollar closed in London at Y98.1350, down from 98.70. Against the D-Mark, it finished at DM1.547 from DM1.5551.

The D-Mark strengthened slightly on the European crosses, although political uncertainty in advance of the October 16 general election limited the upside of the German currency.

The markets focused closely on the progress of the Italian budget and bounced the lira around, reflecting the travails of Prime Minister Silvio Berlusconi in his attempt to pass a suitably tough deficit-cutting budget for 1995.

■ A market expectation that the FOMC meeting would yield either no movement, or at most a 50 basis point hike, pushed the dollar down against the D-Mark. Most investors have already priced in a 50 basis point hike, and anything else was expected to be negative for the dollar.

Meanwhile the dollar was tightly range-bound against the yen as the markets awaited the outcome of trade talks between the US and Japan before the September 30 deadline for sanctions.

Mr Ryutaro Hashimoto, Japan's trade minister, arrived in Washington yesterday and indicated Japan would make an effort to reach a deal with the US on the auto sector, the area which has been the most likely target for sanctions.

The dollar moved positively against the yen on the back of these comments and analysts became increasingly optimistic that a reasonable compromise would be reached.

Mr Avinash Persaud, currency strategist at JP Morgan, said: "There was a belief that US officials had a dollar devaluation policy but that view is receding," he said. "So we may be overplaying the importance of these trade talks."

■ Although political concerns kept the market apprehensive about the D-Mark, thin trading helped the German currency maintain, and even strengthen, its position against most other European currencies.

Against the French franc, it closed unchanged at FFr3.417. Against the Danish krone, it finished at DKr3.928, up from DKr3.926 and against the Swiss franc, the D-Mark closed at SFr0.829, up from SFr0.828.

The D-Mark is unlikely to get any inspiration from tomorrow's meeting of the Bundesbank council, where changes in interest rates are not largely expected.

In recent days the central bank's officials have been making comments which suggest that a cut in rates, which has been anticipated in some quarters, is improbable.

Bundesbank council member Mr Reimut Jochimsen said the bank should pursue a cautious monetary policy while a further reduction in inflation may prove difficult because of rising commodity prices.

In addition, yesterday's preliminary national cost of living figures for September came in at 2.9 per cent, basically flat against 3 per cent for August.

These factors contributed to a market expectation that the Bundesbank will hold its fire tomorrow. But Mr Adrian Cunningham, currency economist at UBS, said this situation would not hold forever. "There is still scope for rate reductions if the trend in inflation continues to go down and the money supply shows a deceleration of growth," he said.

■ The lira slipped against the D-Mark to as low as L1009.50 in early trading as markets responded negatively to the failure of the Italian government to reach an agreement with trade union leaders on plans to reform Italy's pension system.

But hopes that ministers could pass a budget as early as last night raised optimism about the lira. The Italian currency was further bolstered when Prime Minister Silvio Berlusconi announced that the deficit reduction in the 1995 budget could exceed the previously planned 45 trillion lira.

Mr Jeremy Hawkins, economist at Bank of America said: "If the government stands up to the unions, even if they go on strike, that should be good for the lira in the long term. The markets want to see a government that has the strength of its convictions."

Against the D-Mark, the lira finished in London at L1006, unchanged from its Monday closing rate.

■ Sterling tracked the dollar down in late trading, showing that it has not detached completely from the US currency.

Against the dollar, the pound closed in London at $1.577, up from $1.5743 and against the D-Mark, it finished at DM2.4396 from DM2.4482.

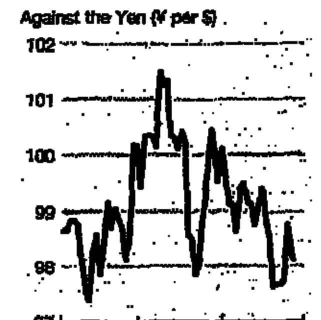
■ The December short sterling contract traded 16,350 lots to finish unchanged at 93.19, allowing for a short-term interest rate of 6.81 per cent.

In the UK money markets, the Bank of England provided late assistance of £155m after forecasting a shortage of £300m. Overnight rates traded between 4¾ and 6¼ per cent.

German call money was quoted at between 4.30 and 4.40 per cent.

Dollar

Against the Yen (¥ per $)



Source: Datastream

■ **Pound in New York**

Sep 27	Latest	Prev. close
£ spot	1.5770	1.5720
1 mth	1.5765	1.5716
3 mth	1.5748	1.5699
1 yr	1.5580	1.5542

■ **OTHER CURRENCIES**

Sep 27	£	$
Hungary	170.971 - 171.159	108.450 - 108.500
Iran	2754.00 - 2757.00	1748.00 - 1750.00
Kuwait	0.4682 - 0.4698	0.2970 - 0.2978
Poland	38409.3 - 38479.7	23095.0 - 23125.0
Russia	3945.65 - 3950.49	2502.00 - 2505.00
U.A.E.	5.7839 - 5.7955	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Sep 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1898	-0.0596	902 - 790	17.2376	17.1800	17.1853	0.3	17.1534	0.4	-	-	114.9
Belgium	(BFr)	50.1652	-0.2124	380 - 913	50.3070	50.1320	50.1552	0.2	50.2002	-0.3	49.7202	0.9	116.5
Denmark	(DKr)	9.5802	-0.0305	749 - 855	9.6025	9.5737	9.586	-0.6	9.5993	-0.8	9.6136	-0.3	116.5
Finland	(FM)	7.7092	-0.0136	988 - 195	7.7380	7.6980	-	-	-	-	-	-	85.8
France	(FFr)	8.3343	-0.03	279 - 406	8.3528	8.3278	8.3341	0.0	8.3299	0.2	8.2593	0.9	110.2
Germany	(DM)	2.4398	-0.0086	382 - 409	2.4465	2.4375	2.4388	0.5	2.4351	0.7	2.4008	1.6	125.7
Greece	(Dr)	372.251	-0.622	896 - 606	372.627	371.688	-	-	-	-	-	-	-
Ireland	(I£)	1.0113	-0.0009	105 - 121	1.0135	1.0087	1.0112	0.2	1.0114	-0.1	1.0142	-0.3	106.1
Italy	(L)	2453.82	-8.79	225 - 638	2465.20	2452.21	2459.72	-2.9	2470.12	-2.7	2518.32	-2.6	75.5
Luxembourg	(LFr)	50.1652	-0.2124	380 - 913	50.3070	50.1220	50.1552	0.2	50.2002	-0.3	49.7202	0.9	116.5
Netherlands	(Fl)	2.7335	-0.0093	321 - 348	2.7437	2.7304	2.7324	0.5	2.7293	0.6	2.6817	1.5	120.6
Norway	(NKr)	10.6885	-0.0294	835 - 934	10.7118	10.6819	10.6883	0.0	10.6905	-0.1	10.6929	0.0	85.7
Portugal	(Es)	248.709	-0.755	520 - 898	249.291	248.514	250.439	-8.3	253.619	-7.9	-	-	-
Spain	(Pta)	202.416	-0.299	265 - 567	202.705	202.280	202.831	-2.5	203.501	-2.1	205.771	-1.7	85.7
Sweden	(SKr)	11.7540	-0.026	437 - 642	11.8001	11.7350	11.773	-1.9	11.8205	-2.3	12.034	-2.4	75.2
Switzerland	(SFr)	2.0213	-0.0062	198 - 227	2.0242	2.0187	2.0187	1.5	2.0127	1.7	1.9711	2.5	122.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.7
Ecu	-	1.2778	-0.0055	769 - 783	1.2803	1.2768	1.2779	-0.3	1.278	-0.1	1.2729	0.4	-
SDR†	-	0.930547	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5771	+0.0027	765 - 777	1.5780	1.5719	-	-	-	-	-	-	-
Brazil	(R)	1.3825	+0.007	605 - 645	1.3790	1.3600	-	-	-	-	-	-	-
Canada	(C$)	2.1262	+0.0055	251 - 273	2.1273	2.1213	2.1256	0.3	2.1234	0.5	2.1121	0.7	87.6
Mexico	(New Peso)	5.3421	+0.0642	365 - 477	5.3483	5.3171	-	-	-	-	-	-	-
USA	($)	1.5770	+0.0027	765 - 775	1.5775	1.5717	1.5765	0.4	1.5748	0.6	1.559	1.1	62.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1324	+0.0065	310 - 338	2.1342	2.1238	2.1324	0.0	2.1337	-0.2	2.1516	-0.9	-
Hong Kong	(HK$)	12.1859	+0.0204	816 - 901	12.1981	12.1461	12.182	0.4	12.1809	0.2	12.188	0.0	-
India	(Rs)	49.4685	+0.0886	469 - 901	49.4980	49.3040	-	-	-	-	-	-	-
Japan	(Y)	154.759	-0.825	656 - 863	155.410	154.530	154.349	3.2	153.404	3.5	147.889	4.4	190.4
Malaysia	(M$)	4.0372	-0.0033	351 - 392	4.0410	4.0307	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6166	+0.0047	136 - 196	2.6197	2.6115	2.6205	-1.8	2.6283	-1.8	2.6505	-1.3	-
Philippines	(Peso)	40.4580	+0.2348	269 - 891	40.5900	40.3155	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9151	+0.0107	130 - 172	5.9181	5.8958	-	-	-	-	-	-	-
Singapore	(S$)	2.3419	+0.0009	403 - 434	2.3437	2.3359	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6051	+0.0277	021 - 080	5.6086	5.5701	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6707	-0.0044	528 - 886	6.6946	6.5661	-	-	-	-	-	-	-
South Korea	(Won)	1261.21	+1.14	057 - 184	1261.97	1258.40	-	-	-	-	-	-	-
Taiwan	(T$)	41.3391	+0.1061	201 - 581	41.3590	41.2414	-	-	-	-	-	-	-
Thailand	(Bt)	39.3482	+0.0516	179 - 744	39.3750	39.2450	-	-	-	-	-	-	-

†SDR rates for Sep 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8875	-0.0585	850 - 900	10.9330	10.8850	10.8875	0.0	10.8873	0.0	10.8125	0.7	104.0
Belgium	(BFr)	31.8105	-0.1895	040 - 170	31.9370	31.8040	31.7955	0.6	31.7905	0.3	31.8855	-0.2	105.6
Denmark	(DKr)	6.0750	-0.0298	735 - 764	6.0990	6.0735	6.08	-1.0	6.0855	-1.3	6.165	-1.5	104.8
Finland	(FM)	4.8885	-0.0171	835 - 935	4.9164	4.8835	4.8875	0.2	4.8855	0.2	4.9315	-0.9	80.4
France	(FFr)	5.2849	-0.0261	825 - 872	5.3050	5.2825	5.2867	-0.4	5.2894	-0.3	5.2964	-0.2	106.2
Germany	(D)	1.5470	-0.0061	466 - 473	1.5534	1.5466	1.5471	-0.1	1.5463	0.2	1.54	0.5	106.4
Greece	(Dr)	236.050	-0.8	900 - 200	236.580	235.900	236.325	-1.4	236.875	-1.4	239.425	-1.4	66.7
Ireland	(I£)	1.5594	+0.004	586 - 601	1.5601	1.5529	1.5582	0.1	1.5572	0.6	1.5379	1.4	-
Italy	(L)	1556.00	-8.25	550 - 650	1566.00	1555.50	1560.25	-3.3	1588.5	-3.2	1615	-3.8	75.9
Luxembourg	(LFr)	31.8105	-0.1895	040 - 170	31.9370	31.8040	31.7955	0.6	31.7905	0.3	31.8855	-0.2	105.6
Netherlands	(Fl)	1.7333	-0.009	330 - 336	1.7426	1.7330	1.7334	-0.1	1.7336	-0.1	1.7261	0.4	105.4
Norway	(NKr)	6.7777	-0.0303	767 - 787	6.8052	6.7767	6.7837	-1.1	6.8042	-1.6	6.8752	-1.4	95.8
Portugal	(Es)	157.710	-0.75	640 - 780	158.300	157.640	158.435	-5.5	159.76	-5.2	164.46	-4.3	94.9
Spain	(Pta)	128.355	-0.41	300 - 410	128.730	128.300	128.84	-2.7	129.25	-2.8	132.005	-2.8	80.8
Sweden	(SKr)	7.4534	-0.0298	492 - 575	7.4993	7.4492	7.4679	-2.3	7.4994	-2.5	7.6734	-3.0	80.6
Switzerland	(SFr)	1.2817	-0.0056	812 - 822	1.2861	1.2812	1.2805	1.2	1.278	1.2	1.264	1.4	108.5
UK	(£)	1.5770	+0.0027	765 - 775	1.5775	1.5717	1.5765	0.4	1.5748	0.6	1.559	1.1	88.3
Ecu	-	1.2344	+0.0074	341 - 346	1.2346	1.2301	1.2337	0.7	1.2324	0.6	1.2254	0.7	-
SDR†	-	1.46589	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R)	0.8640	+0.003	630 - 650	0.8760	0.8630	-	-	-	-	-	-	-
Canada	(C$)	1.3483	+0.0012	480 - 485	1.3512	1.3480	1.3482	0.0	1.3482	0.0	1.3543	-0.4	84.4
Mexico	(New Peso)	3.3875	+0.035	850 - 900	3.3900	3.3850	3.3885	-0.4	3.3903	-0.3	3.3977	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3522	+0.0012	517 - 526	1.3535	1.3490	1.3525	-0.2	1.3532	-0.3	1.3605	-0.6	86.7
Hong Kong	(HK$)	7.7273	-0.0003	270 - 275	7.7275	7.7270	7.727	0.0	7.7279	0.0	7.7428	-0.2	-
India	(Rs)	31.3688	+0.0013	650 - 725	31.3750	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	98.1350	-0.565	000 - 700	98.7000	98.1000	97.905	2.8	97.415	2.9	94.86	3.3	150.4
Malaysia	(M$)	2.5600	-0.0065	595 - 605	2.5672	2.5585	2.5508	4.3	2.5395	3.2	2.613	-2.1	-
New Zealand	(NZ$)	1.6592	+0.0001	578 - 606	1.6614	1.6578	1.6601	-0.7	1.662	-0.7	1.6673	-0.5	-
Philippines	(Peso)	25.6550	+0.105	800 - 300	25.7300	25.4500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7509	+0.0004	507 - 510	3.7510	3.7506	3.7522	-0.4	3.7563	-0.6	3.7749	-0.6	-
Singapore	(S$)	1.4850	-0.002	845 - 855	1.4875	1.4840	1.4837	1.1	1.4818	0.9	1.475	0.7	-
S Africa (Com.)	(R)	3.5543	+0.0115	535 - 550	3.5550	3.5355	3.5698	-5.2	3.5961	-4.9	3.6748	-3.4	-
S Africa (Fin.)	(R)	4.2300	-0.01	200 - 400	4.2400	4.1700	4.2637	-9.6	4.3225	-8.7	-	-	-
South Korea	(Won)	799.750	-0.65	600 - 900	801.100	799.600	802.75	-4.5	806.25	-3.3	824.75	-3.1	-
Taiwan	(T$)	26.2138	+0.0238	100 - 175	26.2180	26.2100	26.2338	-0.9	26.2738	-0.9	-	-	-
Thailand	(Bt)	24.9500	-0.01	400 - 600	24.9600	24.9400	25.0225	-3.5	25.15	-3.2	25.63	-2.7	-

†SDR rate for Sep 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 26. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.10	16.61	4.862	2.016	4890	5.449	21.29	495.8	403.5	23.43	4.029	1.994	4.238	3.144	308.4	2.546
Denmark	(DKr)	52.36	10	8.699	2.546	1.055	2561	2.853	11.15	259.6	211.3	12.27	2.110	1.044	2.219	1.646	161.5	1.333
France	(FFr)	60.19	11.50	10	2.927	1.213	2943	3.279	12.81	298.4	242.9	14.10	2.425	1.200	2.551	1.892	185.6	1.532
Germany	(DM)	20.57	3.928	3.417	1	0.415	1006	1.121	4.379	102.0	82.98	4.816	0.829	0.410	0.872	0.647	63.43	0.524
Ireland	(I£)	49.61	9.478	8.243	2.412	1	2426	2.703	10.56	246.0	200.2	11.62	1.999	0.989	2.103	1.560	153.0	1.263
Italy	(L)	2.045	0.391	0.340	0.099	0.041	100.	0.111	0.435	10.14	8.251	0.479	0.082	0.041	0.087	0.064	6.307	0.052
Netherlands	(Fl)	18.35	3.505	3.049	0.892	0.370	897.5	1	3.908	91.00	74.06	4.298	0.739	0.366	0.778	0.577	56.60	0.467
Norway	(NKr)	46.97	8.970	7.803	2.284	0.947	2297	2.559	10	232.9	189.5	11.00	1.892	0.936	1.991	1.477	144.9	1.196
Portugal	(Es)	20.17	3.852	3.351	0.981	0.407	986.3	1.099	4.294	100.	81.38	4.725	0.813	0.402	0.855	0.634	62.20	0.513
Spain	(Pta)	24.78	4.733	4.118	1.205	0.500	1212	1.350	5.277	122.9	100.	5.805	0.999	0.494	1.050	0.779	76.43	0.631
Sweden	(SKr)	42.69	8.153	7.093	2.076	0.860	2088	2.326	9.089	211.7	172.3	10	1.720	0.851	1.809	1.342	131.7	1.087
Switzerland	(SFr)	24.82	4.740	4.124	1.207	0.500	1214	1.352	5.285	123.1	100.1	5.814	1	0.495	1.052	0.780	76.55	0.632
UK	(£)	50.16	9.580	8.334	2.439	1.011	2453	2.733	10.68	248.7	202.4	11.75	2.021	1	2.126	1.577	154.7	1.277
Canada	(C$)	23.59	4.506	3.920	1.147	0.476	1154	1.286	5.024	117.0	95.20	5.527	0.951	0.470	1	0.742	72.77	0.601
US	($)	31.81	6.076	5.285	1.547	0.641	1555	1.733	6.772	157.7	128.3	7.451	1.282	0.634	1.348	1	98.10	0.810
Japan	(Y)	32.42	6.193	5.387	1.577	0.654	1586	1.767	6.904	160.8	130.8	7.595	1.308	0.646	1.374	1.019	100.	0.825
Ecu		39.28	7.502	6.526	1.910	0.792	1921	2.140	8.363	194.8	158.5	9.201	1.583	0.783	1.665	1.235	121.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6439	0.6447	+0.0008	0.6456	0.6438	28,017	71,350
Mar	0.6462	0.6462	+0.0014	0.6462	0.6462	18	4,087
Jun	-	0.6457	-	-	-	1	476

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0186	1.0243	+0.0065	1.0257	1.0180	23,367	44,990
Mar	1.0320	1.0329	+0.0061	1.0335	1.0320	58	2,580
Jun	-	1.0367	-	-	-	1	452

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7784	0.7808	+0.0017	0.7820	0.7784	12,648	35,448
Mar	-	0.7838	-	0.7842	-	4	633
Jun	-	0.7848	-	-	-	40	60

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5710	1.5720	+0.0030	1.5742	1.5708	9,484	31,554
Mar	-	1.5700	-	1.5710	-	51	277
Jun	-	1.5650	-	1.5650	-	1	8

EMS EUROPEAN CURRENCY UNIT RATES

Sep 27	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15073	-0.00118	-2.09	5.38	-6
Belgium	40.2123	39.4891	-0.0369	-1.85	5.12	13
Ireland	0.808628	0.795731	+0.001589	-1.59	4.85	11
Germany	1.94964	1.91952	-0.00086	-1.54	4.80	-5
France	6.53883	6.55765	-0.00508	0.29	2.88	-2
Denmark	7.43679	7.53798	-0.00163	1.36	1.79	-9
Portugal	192.854	195.576	-0.138	1.41	1.74	-9
Spain	154.250	159.151	+0.189	3.18	0.00	-22
NON ERM MEMBERS						
Greece	264.513	292.458	-0.091	10.56	-6.68	-
Italy	1793.19	1930.53	-0.39	7.66	-4.16	-
UK	0.786749	0.786628	+0.002775	-0.02	3.19	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.500	7.26	7.24	7.39	-	0.06	0.34
1.525	4.81	4.99	5.35	0.05	0.28	0.77
1.550	2.58	3.06	3.60	0.26	0.83	1.49
1.575	0.97	1.64	2.27	1.10	1.84	2.53
1.600	0.23	0.74	1.31	2.80	3.38	4.05
1.625	-	0.26	0.69	5.07	5.38	5.90

Previous day's vol., Calls 3,787 Puts 3,286 . Prev. day's open int., Calls 444,395 Puts 351,827

WORLD INTEREST RATES

MONEY RATES

September 27	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅞	5	5¼	5⅞	6⅜	7.40	4.50	-
week ago	4⅞	5	5⅜	5⅞	6⅜	7.40	4.50	-
France	5¼	5⅜	5⅝	5⅞	6⅛	5.00	-	6.75
week ago	5⅜	5⅜	5⅝	5⅞	6⅛	5.00	-	6.75
Germany	4.38	4.95	5.03	5.23	5.83	6.00	4.50	4.85
week ago	4.87	4.95	5.05	5.23	5.63	6.00	4.50	4.85
Ireland	4⅞	5½	6⅛	6⅜	7⅛	-	-	6.25
week ago	4⅛	5¼	6⅛	6⅜	7⅛	-	-	6.25
Italy	8⅛	8¼	8½	9⅛	10⅛	-	7.50	8.25
week ago	8⅛	8¾	8⅜	9⅛	10⅛	-	7.50	8.25
Netherlands	4.84	5.01	5.12	5.33	5.72	-	5.25	-
week ago	4.84	5.01	5.11	5.31	5.75	-	5.25	-
Switzerland	3⅞	3⅞	4	4⅛	4⅝	6.625	3.50	-
week ago	3⅝	3⅞	4⅛	4⅛	4⅝	6.625	3.50	-
US	4⅞	4⅞	5⅛	5⅝	6¼	-	4.00	-
week ago	4¾	4⅞	5	5⅝	5⅞	-	4.00	-
Japan	2¼	2¼	2¼	2⅜	2¾	-	1.75	-
week ago	2¼	2¼	2⅜	2⅜	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅛	5¼	5⅝	6⅛	-	-	-
week ago	-	5⅛	5½	5½	6⅛	-	-	-
US Dollar CDs	-	4.79	5.03	5.36	5.93	-	-	-
week ago	-	4.79	4.90	5.25	5.86	-	-	-
SDR Linked Ds	-	3⅜	3⅞	3¾	4	-	-	-
week ago	-	3⅜	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅜; 3 mths: 5⅝; 6 mths: 5¾; 1 year: 6⅜. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅞ - 4¾	4⅞ - 4¾	5 - 4⅞	5⅜ - 5¼	5⅞ - 5¾	6⅜ - 6¼
Danish Krone	5⅞ - 5⅝	5⅞ - 5½	6 - 5⅞	6¾ - 6½	7⅜ - 7⅛	7⅞ - 7⅝
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5⅛ - 4⅞	5⅛ - 5⅛	5⅞ - 5¾
Dutch Guilder	5⅛ - 4⅞	5 - 4⅞	5 - 4⅞	5⅛ - 5⅛	5⅜ - 5¼	5¾ - 5⅝
French Franc	5⅜ - 5¼	5⅞ - 5⅜	5⅞ - 5⅝	5⅝ - 5½	5⅞ - 5¾	6⅞ - 6⅝
Portuguese Esc.	12⅛ - 11⅞	9½ - 9⅛	10⅛ - 9⅞	10⅜ - 10⅛	10⅝ - 10⅜	10⅞ - 10⅝
Spanish Peseta	7⅛ - 7⅛	7⅛ - 7⅞	7⅞ - 7⅝	7⅞ - 7⅝	8⅛ - 8⅛	9⅛ - 8⅞
Sterling	5⅜ - 5¼	5¼ - 5⅛	5½ - 5⅜	5⅞ - 5⅞	6½ - 6⅜	7½ - 7⅜
Swiss Franc	3⅛ - 3⅛	3⅝ - 3⅝	3⅞ - 3¾	4 - 3⅞	4⅛ - 4⅛	4⅝ - 4½
Can. Dollar	4⅞ - 4⅝	4⅞ - 4¾	5 - 4⅞	5⅛ - 5⅛	5⅞ - 5¾	6⅞ - 6⅝
US Dollar	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 4⅞	5¼ - 5⅛	5⅝ - 5⅝	6⅛ - 6⅛
Italian Lira	9 - 7½	8⅜ - 7⅞	8¼ - 8⅛	8⅞ - 8⅞	9⅜ - 9⅛	10⅛ - 10
Yen	2¼ - 2⅛	2⅛ - 2¼	2⅜ - 2¼	2⅜ - 2⅜	2⅞ - 2⅜	2⅞ - 2⅝
Asian $Sing	⅞ - ⅞	1⅜ - 1¼	2¼ - 2⅝	3¾ - 3¼	4 - 3½	4¾ - 4¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.06	94.05	-0.02	94.08	94.03	8,906	46,662
Mar	93.57	93.57	-0.01	93.57	93.54	7,676	34,562
Jun	93.17	93.16	-0.03	93.17	93.13	6,638	25,359
Sep	92.84	92.84	-0.03	92.86	92.82	1,959	19,884

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		94.10	-0.01			0	2044
Mar		93.74	-0.01			0	1425
Jun		93.38	-0.01			0	274

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.71	94.70	-0.01	94.71	94.66	18278	193043
Mar	94.31	94.30	-0.02	94.32	94.28	14516	171997
Jun	93.91	93.90	-0.02	93.91	93.87	10593	105975
Sep	93.55	93.54	-0.02	93.55	93.51	6347	67214

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.52	90.65	+0.11	90.67	90.40	8402	31606
Mar	89.65	89.86	+0.13	89.86	89.61	2833	18217
Jun	89.15	89.33	+0.10	89.34	89.10	992	15627
Sep	88.88	89.02	+0.11	89.03	88.83	218	14630

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.60	95.63	+0.02	95.64	95.60	4377	22896
Mar	95.21	95.22	+0.01	95.24	95.19	914	11532
Jun	94.88	94.88	-	94.89	94.87	81	6093
Sep	94.56	94.55	-0.02	94.55	94.55	3	910

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.55	93.55	-	93.55	93.49	269	7478
Mar	92.96	92.96	-	92.96	92.93	65	6681
Jun	92.51	92.52	+0.01	92.51	92.49	106	2483
Sep	92.10	92.12	-	92.10	92.08	9	1008

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.09	94.11	+0.02	94.11	94.09	81,352	522,786
Mar	93.74	93.74	+0.01	93.75	93.72	50,948	401,539
Jun	93.39	93.38	+0.01	93.40	93.37	27,806	282,804

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.64	94.64	-	94.64	94.63	1,510	17,385
Mar	94.25	94.25	-	94.25	94.25	1,633	8,863
Jun	93.93	93.92	+0.01	93.93	93.92	12	2,330

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9450	0.22	0.24	0.28	0.18	0.02	0.04	0.08	0.38
9475	0.05	0.09	0.13	0.10	0.10	0.14	0.18	0.55
9500	0.01	0.03	0.05	0.05	0.31	0.33	0.35	0.75

Est. vol. total, Calls 3038 Puts 3610. Previous day's open int., Calls 185936 Puts 182309

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9550	0.19	0.13	0.09	0.06	0.41	0.71
9575	0.06	0.07	0.05	0.16	0.60	0.92
9600	0.02	0.04		0.39	0.82	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1870 Puts 615

UK INTEREST RATES

LONDON MONEY RATES

Sep 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 4⅞	5⅜ - 5	5⅞ - 5⅜	5⅞ - 5⅞	6⅜ - 6⅞	7½ - 7⅜
Sterling CDs	-	-	5⅜ - 5⅜	5⅞ - 5⅞	6⅞ - 6⅜	7⅜ - 7⅜
Treasury Bills	-	-	5⅛ - 5⅛	5⅛ - 5⅞	-	-
Bank Bills	-	-	5⅜ - 5¼	5⅞ - 5⅜	6⅜ - 6¼	-
Local authority deps.	4⅞ - 4⅞	5⅜ - 5⅛	5⅞ - 5⅜	5⅞ - 5⅞	6⅜ - 6⅞	7⅜ - 7⅞
Discount Market deps	5¾ - 4½	5⅜ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.5070pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Schemes II & III 6.82pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Schemes IV & V 5.678pc. Finance House Base Rate 5½pc from Sep 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.17	93.19	-	93.22	93.14	16367	165984
Mar	92.24	92.27	-0.01	92.30	92.22	11422	85329
Jun	91.59	91.59	-0.03	91.62	91.55	6192	51984
Sep	91.16	91.16	-0.03	91.20	91.13	1517	53746

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9300	0.39	0.13	0.16	0.20	0.86	1.57
9325	0.24	0.08	0.11	0.30	1.06	1.77
9350	0.13	0.04	0.08	0.44	1.27	1.99

Est. vol. total, Calls 5392 Puts 4048. Previous day's open int., Calls 270479 Puts 171559

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 27 / Sch)

BELGIUM/LUXEMBOURG (Sep 27 / Frs.)

DENMARK (Sep 27 / Kr)

FINLAND (Sep 27 / Mka)

FRANCE (Sep 27 / Frs.)

GERMANY (Sep 27 / Dm.)

ITALY (Sep 27 / Lira)

NETHERLANDS (Sep 27 / Fls.)

NORWAY (Sep 27 / Kroner)

SPAIN (Sep 27 / Pts.)

SWEDEN (Sep 27 / Kronor)

SWITZERLAND (Sep 27 / Frs.)

PACIFIC

JAPAN (Sep 27 / Yen)

HONG KONG (Sep 27 / H.K.$)

MALAYSIA (Sep 27 / MYR)

SINGAPORE (Sep 27 / S$)

AUSTRALIA (Sep 27 / Aust.$)

NORTH AMERICA

CANADA

TORONTO (Sep 27 / Can $)

4 pm close

MONTREAL (Sep 27 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Sep 27 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, September 27, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	6.2m	385	–2	Oki Electric	2.9m	755	–5
NKK	4.8m	289	–1	Mitsubishi Hvy	2.6m	752	–6
Kawasaki Steel	3.8m	432	–6	Toshiba	2.3m	747	
Kobe Steel	3.1m	326	–5	Sumitomo Mtl Ind	2.3m	338	–3
Sumitomo Coal	3.0m	730	+17	Sumitomo Mtl Min	2.2m	954	–5

INDICES

	Sep 27	Sep 26	Sep 23	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	20580.87	20586.18	25476.49	16/2	17768.90	20/4
Australia							
All Ordinaries(1/1/80)	2013.8	2030.0	2027.7	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1088.6	1093.7	1085.2	1136.10	3/2	904.80	5/5
Austria							
Credit Aktien(30/12/84)	397.85	402.28	402.52	468.66	2/2	397.85	27/9
Traded Index(2/1/91)	1071.34	1084.96	1089.03	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1384.95	1385.81	1397.82	1542.65	9/2	1384.95	27/9
Brazil							
Bovespa (29/12/83)	(u)	52651.0	54532.0	55110.00	13/9	3809.99	3/1
Canada							
Metals Minls♦(1975)	(c)	4167.28	4172.70	4259.59	19/9	3299.86	20/4
Composite♦ (1975)	(c)	4341.40	4367.50	4809.90	23/3	3999.80	24/6
Portfolio§§ (4/1/83)	(c)	2065.46	2081.12	2182.89	1/2	1968.43	28/6
Chile							
IPGA Gen (31/12/80)	(u)	4973.2	4949.7	4973.20	26/9	3301.29	4/4
Denmark							
CopenhagenSE(3/1/83)	349.21	350.18	351.18	415.79	2/2	349.21	27/9
Finland							
HEX General(28/12/90)	1882.4	1880.4	1884.1	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1278.42	1279.47	1291.75	1585.20	2/2	1265.36	4/7
CAC 40(31/12/87)	1901.26	1902.72	1927.35	2355.93	2/2	1866.19	4/7
Germany							
FAZ Aktien(31/12/58)	779.08	784.88	790.32	858.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2218.5	2232.6	2247.3	2469.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2058.73	2068.87	2089.12	2271.11	16/5	1960.82	20/6
Greece							
Athens SE(31/12/80)	843.59	847.53	852.58	1194.58	18/1	808.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9610.24	9643.83	9632.47	12201.09	4/1	8389.44	4/5
India							
BSE Sens.(1979)	4444.56	4498.53	4498.53	4571.99	27/9	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	507.24	510.19	512.57	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1839.73	1835.83	1855.57	2082.18	20/1	1804.14	1/7
Italy							
Banca Comm Ital (1972)	680.91	672.14	668.19	817.17	10/5	588.86	10/1
MIB General (4/1/94)	1103.0	1089.0	1083.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	19468.89	19814.39	(c)	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	286.04	290.07	(c)	311.71	13/6	268.22	4/1
Topix (4/1/68)	1582.75	1585.21	(c)	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2231.43	2237.02	(c)	2542.85	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1149.60	1157.18	1170.32	1314.46	5/1	828.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2840.08	2857.52	2881.17	8/2	1957.33	20/4
Netherland							
CBS TRtnGen(End 83)	427.1	427.7	429.4	454.90	31/1	408.30	21/6
CBS All Shr (End 83)	268.2	268.7	269.7	294.88	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2063.59	2075.80	2080.53	2499.84	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1041.56	1039.70	1045.54	1211.10	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	2934.27	2944.20	2959.36	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2883.1	2881.6	2897.0	3226.80	18/2	2812.80	20/6
Singapore							
SES All–S'pore(2/4/75)	566.95	569.54	571.79	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2422.0♥	2448.0	2489.0	2584.00	7/9	1749.09	14/2
JSE Ind. (28/9/78)	6164.0♥	6209.0	6362.0	6757.00	15/6	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	1052.01	1045.12	1029.58	1052.01	27/9	856.37	2/4
Spain							
Madrid SE (30/12/85)	297.24	297.17	298.92	358.31	31/1	291.43	6/7
Sweden							
AffarsvardInGen (1/2/37)	1422.80	1421.8	1428.3	1603.99	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1225.03	1224.99	1232.01	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	919.93	921.59	928.74	1083.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	7029.10	7025.76	6930.28	7048.24	17/9	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1502.25	1495.72	1506.08	1753.73	4/1	1196.68	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	26289.19	25871.9	25770.03	28883.80	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	626.0*	626.	630.0	644.90	2/9	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1340.34	1338.05	1343.73	1640.19	31/1	1303.48	21/6
Euro Top–100 (26/6/90)	1176.48	1175.94	1183.58	1311.01	2/2	1143.08	21/6
JCapalDrgns (31/12/88)	(u)	337.33	337.76	385.19	5/1	288.28	21/3
Barings Emerg.(7/1/92)	189.80	191.79	190.51	191.79	26/9	141.65	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1897.0	1896.0	-	1914.0	1896.0	25,495	22,467
Oct	1902.0	1904.5	-0.5	1921.0	1902.0	5,105	15,285
Dec	1928.5	1913.5	-	1928.5	1928.5	100	100

Open interest figures for previous day.

** Sat Sep 24: Taiwan Weighted Price 6922.02; Korea Comp Ex 1037.41. Base values of all Indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 256.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 27 - 2056.89 –0.94

US INDICES

Dow Jones	Sep 26	Sep 23	Sep 22	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3849.24	3831.75	3837.13	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.13	97.23	97.29	105.81 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1498.03	1499.41	1506.54	1862.29 (2/2)	1498.03 (26/9)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	177.10	176.90	176.97	227.06 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3869.43 (3872.46) Low 3804.50 (3806.51) (Theoretical♦)
Day's high 3849.91 (3850.92) Low 3826.36 (3820.31) (Actual♦)

Standard and Poors	Sep 26	Sep 23	Sep 22	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	460.82	459.67	461.27	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	545.49	543.82	546.01	580.83 (15/9)	510.05 (21/4)	580.83 (15/9/94)	3.62 (21/6/32)
Financial	43.46	43.53†	44.24	48.94 (14/6)	41.39 (4/4)	49.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	254.39	253.61	254.52	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (23/4/42)
Amex Mkt Val	453.78	455.23	454.91	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	755.83	757.46	760.44	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 23	Sep 16	Sep 9	Year ago
Dow Jones Ind. Div. Yield	2.76	2.69	2.71	2.88
	Sep 21	Sep 14	Sep 7	Year ago
S & P Ind. Div. yield	2.41	2.37	2.37	2.51
S & P Ind. P/E ratio	20.64	20.91	20.96	27.52

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	463.05	464.70	+1.56	464.80	462.85	51,795	203,042
Mar	466.25	467.95	+0.80	468.00	466.20	469	6,854
Jun	-	471.50	-	471.50	469.75	14	2,049

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Glaxo	6,639,200	17⅞	–
Micron	5,378,900	36	-2
Ford Motor	4,341,100	26¾	+⅛
Texas Insts	3,732,100	68¼	-3¾
Gen Motors	3,474,800	46⅝	+⅛
Am Cyanamid	3,398,000	99¼	-⅛
First Data	3,216,000	49⅝	+1⅛
Telefonos	3,137,200	65¼	-⅛
Chrysler	2,819,200	44	+⅛
Merck	2,631,500	34⅞	+¼

■ TRADING ACTIVITY

● Volume (million)

	Sep 26	Sep 23	Sep 22
New York SE	270.826	297.580	302.862
Amex	13.137	19.854	14.139
NASDAQ	228.023	295.765	280.854
NYSE			
Issues Traded	2,837	2,880	2,863
Rises	976	883	1,007
Falls	1,134	1,257	1,155
Unchanged	727	730	701
New Highs	32	33	21
New Lows	159	154	119

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	12½	AAR	0.48	3.8	21	173	13	12⅞	12¾	-⅛
16⅞	12⅝	A L Labs A	0.18	1.2	36	77	15¾	15½	15⅝	
77⅜	57⅝	AMP	1.88	2.2	27	4361	77¼	75⅞	77	+1⅜
72¾	52	AMR			80	8970	53¾	d51¾	51¾	-1⅝
5	3⅞	ARX			12	225	3⅞	3¾	3¾	-⅛
58⅛	38⅝	ASA	2.00	3.7	35	1704	53¾	52¼	53¾	+1⅝
31⅝	25⅞	AbbtL	0.76	2.4	18	10001	31¼	30⅝	31⅛	+¼
15¾	11⅞	Abitibi Pr	0.50	3.4	11	76	14⅝	14½	14⅝	
23⅝	17¾	ABM Ind	0.52	2.4		8	21⅝	21½	21½	
15⅛	11⅛	Acptnceln			26	129	14¾	14½	14½	-¼
31	22⅞	ACE Ltd x	0.44	1.8	28	299	24⅛	23¾	23¾	-⅜
12½	9⅝	ACM Gvt In	1.09	11.2		87	9¾	d9⅝	9¾	+⅛
10⅛	7⅛	ACM GvtOpp	0.80	11.0		101	7¼	d7⅛	7¼	+⅛
10⅝	7½	ACM Gvt Sp	0.96	12.8		161	7¾	d7½	7½	-⅛
12	8⅞	ACM Gvt Se	1.09	12.7		327	8⅝	8½	8⅝	+⅛
11¾	8⅞	ACM Man	1.08	12.7		96	8⅝	8½	8½	-⅛
9¼	8	ACM Managd	0.72	8.7		12	8¼	8⅛	8¼	+⅛
15½	8¾	AcmeClv	0.44	3.2	16	21	14	13¾	13¾	+⅛
9⅞	6½	Acme Elect			7	21	8¾	8½	8⅝	
29¼	23	Acordia	0.60	2.2	13	4	27	27	27	
13¾	5¾	Actava	0.36	3.6	2	374	10⅛	10	10	
16⅛	11¼	Acuson			121	1017	15⅞	14⅞	15¼	+¼
18¾	16½	Adams Expr	0.48	2.8	0	138	17¼	17⅛	17⅛	
64	46½	Ad Micro	3.00	5.0		756	60⅝	59½	60	+¼
31¾	16¾	AdvMc	3.00	10.1	12	4460	30	29¼	29⅝	+⅛
6⅞	5	Advest Grp	0.16	3.1	8	92	5⅛	5⅛	5⅛	
20	15	Advo Inc x	0.10	0.6	111	367	17½	16⅝	16¾	-⅞
59½	49⅞	Aegon ADR	1.47	2.5	12	143	57¾	56⅝	57¾	-⅞
65¾	44⅝	AetnaL	2.76	6.0	7	1935	46⅞	46⅜	46⅜	+⅛
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4 pm close September 27

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
		Continued from previous page								
49⅞	32⅜	Sallie Mae	1.40	4.3	6	5479	33⅛	d32	32¼	-⅞
13⅞	11⅞	Salomon Br	0.32	2.6		356	12⅝	12⅛	12⅛	-⅛
52¾	39⅞	Salomn	0.64	1.6	5	1956	40⅜	d39⅞	40	-⅛
25	17½	SnDgSE	1.52	8.3	9	501	18½	18¼	18⅜	
10	7½	SantaFeERs	0.16	1.8	9	1023	9	8¾	8⅞	-⅛
17⅞	13½	SFeGd				9984	u17⅞	17⅜	17⅞	+½
40	31½	SantaFePac	2.80	8.5	15	97	33	32½	32¾	
26¼	18½	SanFeP	0.10	0.4	72	5245	23	22⅝	22⅞	
26	19⅜	SaraLee	0.64	2.9	15	3406	22¼	22	22⅛	
50⅛	42⅛	Scana Corp	2.82	6.5	11	570	43⅜	43	43¼	
20½	12½	Scecorp	1.00	7.7	8	5587	13	12¾	13	+⅛
41¼	31¾	ScherrerRP			31	487	40¾	40⅜	40¾	
71⅞	54½	SchrPl	2.04	2.9	16	5837	70½	68¼	70¼	+2
63	50¼	Schlmb	1.20	2.2	23	2870	55⅛	54⅝	55⅜	+¾
33⅞	23¾	Schwab(C)	0.26	0.9	14	2078	29½	28¼	29½	+1⅛
10¾	6⅛	Schweitzer			25	9	8	8⅞	9	+⅛
45¼	24⅞	SciAtl	0.12	0.3	85	493	42⅝	42	42½	+¼
16⅞	13	Scotsman r	0.10	0.6	15	83	16½	16	16⅜	+⅜
69⅜	37¼	ScottP	0.80	1.3	17	2998	63	62⅛	62¾	+⅝
28⅝	18⅝	ScuddrNAsF	0.21	0.9		59	23⅛	22⅞	23⅛	+⅛
12⅝	9½	ScuddrNEurF	0.16	1.6		142	10	9¾	9¾	
18¼	13½	SeaCnB	0.70	4.3	8	10	16⅝	16⅜	16⅝	
16½	14⅞	SeaC1 4625	1.46	9.1		10	16	15⅞	16	+⅛
32⅝	26¼	Seagrm	0.60	1.9	39	1170	31⅛	30¾	30⅞	-⅛
28¾	22¾	Seagull En			30	208	23½	23¼	23¼	-¼
36¼	26⅝	Sealed Air			24	201	33½	32⅝	32⅝	-⅞
55⅛	42⅛	Searsft	1.60	3.3	7	4098	48¾	48⅛	48½	+⅛
13⅜	11¼	Seligm Sel x	0.84	7.5		65	11⅜	d11¼	11¼	-⅛
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NASDAQ NATIONAL MARKET

4 pm close September 27

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AMEX COMPOSITE PRICES

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AMERICA

Dow ahead as Fed debates rise in rates

Wall Street

Blue chips forged ahead yesterday morning as the Federal Reserve's policy-making arm met to consider raising interest rates again, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 16.49 higher at 3,865.73, while the more broadly based Standard & Poor's 500 was up a scant 0.88 at 461.72. But the Nasdaq composite was off 0.87 to 754.76 and the American SE composite dipped 0.99 to 452.75.

Volume on the Big Board was a moderate 157m shares by early afternoon.

After weeks of speculation over the Fed meeting, the big day finally arrived. In early trading, investors held back from fresh commitments as the members of the Fed's Open Market Committee discussed a sixth change in monetary policy since February.

Most economists were expecting the central bank to opt to delay its move to tighter credit conditions for a month or two. An announcement was expected by the Fed during the early afternoon.

In the meantime, investors received some evidence that the economy was cooling. The Conference Board said that its September index of consumer confidence had fallen from its August levels. Most analysts had expected the index to hold steady.

It was a hopeful sign for investors, who feared that the prospect of accelerating inflation would prompt the Fed to lift rates yesterday, although it was unlikely that the reading would have had any influence on the outcome of the FOMC meeting.

Bonds held steady amid the uncertainty, but blue chips were able to make some progress in the morning hours, carrying through a flurry of buying that lifted the Dow industrial index by 17 points the previous day.

The gains were fractional, with the exception of Alcoa. The aluminium supplier's stock climbed $1¼ to $86⅝, lifted by a "buy" recommendation from PaineWebber.

Elsewhere, share prices were mixed, with corporate news moving a few individual issues higher and lower. By early afternoon, the declines on the Big Board were holding a slight edge on advances.

In telecommunications, Nynex gained $1¼ to $37⅛ after submitting a seven-year framework agreement for regulating phone services in New York state, its primary market. A coalition of telecom providers, including MCI and AT&T, is offering active opposition to the proposal.

In retailing, Gap Stores lost $1⅞ to $30⅝. CS First Boston lowered its estimate of the company's third-quarter and fiscal 1995 earnings.

Micron Technology, the semiconductor supplier, receded $⅞ to $35⅛. Trading in the shares remained brisk following a CS First Boston downgrade. Texas Instruments was down $⅞ to $67⅞ even though Morgan Stanley placed it on its "buy" list.

20th Century Industries, the insurance group hard hit by the California earthquake last winter, jumped $1⅞ to $11 on news that American International Group had agreed to help shore up its financial position as part of a broad strategic alliance. AIG receded $⅝ to $89⅝.

A downward drift on the Nasdaq was led by Lotus Development, which shed 1\frac{1}{16}$ to 35\frac{1}{16}$. Fresh Choice, a restaurant chain, lost $2¼ to $21 on disappointment over its third-quarter results.

Canada

Toronto relinquished early gains to trade mixed at midday, the TSE 300 composite index standing 3.26 higher at 4,344.68 in low volume of 20.4m shares.

Six of the 14 sub-indices were higher, led by real estate and construction which put on 2.0 per cent as Intrawest rose C$⅝ to C$13⅝. Four Seasons Hotels put on C$2⅜ to C$16⅝ after the Saudi Arabian prince Al-Waleed Bin Talal Bin Abdulaziz Al Saud agreed to take a 25 per cent stake.

Brazil sees foreign sales

São Paulo dipped 0.8 per cent in light midday trade as foreign investors continued to sell ahead of the first round of Brazil's presidential elections on October 3. The Bovespa index of the 55 most active shares was 430 lower at 52,221 at 1300 local time in turnover of R$219m ($253.1m).

Analysts commented that the market remained confident that Mr Fernando Henrique Cardoso, the centre-right candidate, would tie up the elections in the first round; but some sceptical investors apparently preferred to take profits after a new opinion poll showing that the popularity of the leftist candidate Mr Luiz Inacio Lula da Silva had risen.

The state telecoms issue Telebras preferred was flat at R$51, while Vale do Rio Doce preferred rose 0.3 per cent to R$166.50. Petrobras preferred dropped 2.8 per cent to R$152.50, hit by an open-ended strike by oilworkers.

S Africa picks up from low

Johannesburg picked up from the day's lows in late afternoon trade as investors returned to key stocks after the recent hefty declines.

Analysts cautioned, however, that future direction would depend on the country's credit ratings, expected shortly from the leading credit agencies, and South Africa's weighting in key emerging market indices.

They added that the market had now absorbed Friday's discount rate rise and poor August inflation data.

The overall index finished 34 down at 5,583, having earlier touched 5,556, for a two-day loss of 172 points.

The gold shares index was 26 softer at 2,422 and industrials gave up 32 to 6,171.

De Beers slipped to an early R97 before recovering to close 50 cents firmer on balance at R99.50. Anglos finished R2.50 weaker at R235 and SAB improved R1.50 to R81.

EUROPE

Most bourses falter, short of initiative

The lack of a decision on US interest rates during European market hours left most bourses short of initiative, *writes Our Markets Staff.*

AMSTERDAM was on hold, the AEX index rising just 0.19 to 400.66 with shares receiving a slight boost from gains in the Dutch bond market and in German bunds.

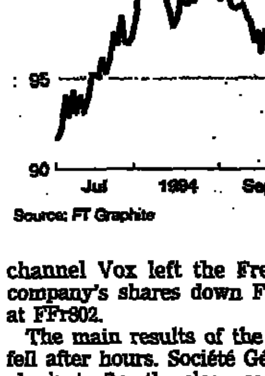
Aegon was Fl 2.40 lower at Fl 99.40 after news that the company planned an early redemption of a convertible bond which could inflate the number of shares outstanding by as much as 8 per cent.

Heineken and Unilever put in firm performances as investors turned from cyclical to defensive stocks. Each gained Fl 2.00, at Fl 238.30 and Fl 196.50 respectively.

Philips closed unchanged at Fl 54 after the Dutch goverment said it intended to give the company a Fl 100m research grant for digital radio and television, and the European Commission said it intended to take a favourable view towards a joint venture being set up by Philips Lighting and Osram, of Germany.

PARIS spent a day waiting, not very happily, for the FOMC and results from its own corporate sector. The CAC 40 index fell 1.44 to 1,901.28 in turnover of FFr2.49bn.

Its mood looked negative: Monday's forecast of a "very, very sharp" 1994 recovery from Peugeot was greeted with a fall of FFr21 to FFr772; the Canal Plus acquisition of 24.9 per cent in the German television channel Vox left the French company's shares down FFr25 at FFr802.



The main results of the day fell after hours. Société Générale, just after the close, saw at least unchanged 1994 profits; the shares eased FFr1 to FFr534. Crédit Lyonnais, some minutes later, fell into the expected range with a first-half net attributable loss of FFr4.5bn; here, the certificates fell another FFr13 to FFr374.

On the plus side, Eurotunnel recovered 80 centimes to FFr21.90 after Monday's salt water leak scare, and Alcatel Alsthom rose FFr6 to FFr560 although the industrial conglomerate is expected to report sharply lower first-half net attributable profits this afternoon.

FRANKFURT caught up with Monday's post-bourse losses during the session, the Dax index declining 9.96 to 2,058.73; but turnover stayed thin, investors awaiting the Washington rates decision and thought unlikely to take firm decisions on the market before the October 16 elections.

Attention focused again on Metallgesellschaft, down another DM14.70 to DM118.50 after a low of DM100 in Ibis trading. The shares were quoted at DM211 only four weeks ago, but the latest falls came in big turnover and dealers yesterday thought it too early to call the turn in this downslide.

Turnover eased from DM5.3bn to DM5.0bn. After hours, Siemens showed a rise on the day of DM5 to DM652.70 after weakness inspired by a magazine article on Monday; the group said yesterday that it was considering spinning off parts of its plant-technology division.

MILAN put in a strong performance on expectations that Mr Silvio Berlusconi's government would finally unveil the 1995 budget last night, with cuts of up to L48,000bn from public expenditure.

The Comit index rose 8.77 or 1.3 per cent to 680.91 as Mr Berlusconi also held out hopes that the government might be about to publish a new calender of privatisations, or revenue targets from disposals.

One Milan dealer commented that the market was prepared to overlook the threat of a national strike by trade unions, which had earlier rejected proposed reforms to cut the cost of of the country's pensions system. "If that is the price that we have to pay for a strong budget, then so be it."

He added that the market was also supported by expectations of positive six-month figures from the telecommunications companies and from Fiat.

Fiat led the market higher, picking up L101 to L6,793, while Telecom Italia rose L109 or 2.5 per cent to L4,435 and Stet added L131 or 2.8 per cent to L4,752.

ZURICH adopted a weaker bias, the SMI index slipping 5.1 to 2,581.0, with investors unwilling to open new positions.

Registered shares in Sulzer, under pressure last week, picked up from early lows to finish SFr1 easier at SFr923 after the group released lower than expected first-half net profits. However, analysts commented that the positive outlook for the full year and the perception that the first-half figure, while low, was also influenced by seasonal factors, helped to support the stock.

Ciba gave up SFr8 to SFr745, while BBC was one of a few blue chips to move ahead, rising SFr6 to SFr1,171.

MADRID tried to go higher but ended flat, with the general index just 0.07 firmer at 297.24. Turnover amounted to Pta20.6bn, boosted on the day by block trades arranged by JP Morgan.

Strength in Repsol was the most consistent feature of the session, the shares rising another Pta40 to Pta3,190, but in the banking sector Bankinter and Popular came late with gains of Pta200 to Pta11,750, and Pta110 to Pta15,310 respectively.

BRUSSELS ended mixed, with the Bel 20 index easing 0.86 to 1,384.95 in thin turnover of BFr1bn.

The Luxembourg-based steelmaker Arbed stole the show with a rise of BFr270 to BFr4,770 after it said that a private offering of 1m shares had been priced at BFr4,550, and oversubscribed.

WARSAW accelerated its recent declines in thin trading, the Wig index falling 405.5 or 4.5 per cent to 8,705.2. Turnover shrank by 26.7 per cent to 371.6bn zlotys.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

Sep 27 — THE EUROPEAN SERIES

Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1336.62	1337.19	1337.56	1338.27	1337.94	1338.80	1338.93	1340.34
FT-SE Eurotrack 200	1378.16	1378.48	1378.95	1378.80	1378.28	1378.50	1378.08	1381.39

	Sep 26	Sep 23	Sep 22	Sep 21	Sep 20
FT-SE Eurotrack 100	1339.05	1343.73	1334.32	1340.34	1342.33
FT-SE Eurotrack 200	1380.89	1386.86	1377.84	1383.92	1386.74

Base 1000 (26/10/90): High/day: 100 - 1340.75; 200 - 1381.39 Low/day: 100 - 1336.62 200 - 1376.29 † Partial

ASIA PACIFIC

Nikkei falls below 19,500 to five-month low

Tokyo

Stocks plummeted in thin trading to their lowest levels since April as arbitrageurs unwound positions following a plunge in index futures prices, *writes Robert Patton in Tokyo.*

The Nikkei 225 average fell 345.47 to finish at 19,468.89, the first close below support at 19,500 since April 4. After reaching the day's high of 19,822.16 during the morning, the index declined to a low of 19,404.18 in the final half-hour of trading.

On September 19, when the Nikkei 225 last approached the 19,500 mark, public funds moved in to arrest the decline. This time, public funds, comprising state run postal savings and insurance, seemed to remain on the sidelines.

Volume was an estimated 231m shares, little changed from Monday's 239.41m. The Topix index of all first section stocks shed 22.46 to 1,562.75, while the second section lost 5.59 at 2,231.43 in volume estimated at 5.99m shares. Losers surged ahead of winners by 769 to 237, with 159 issues unchanged. But in London the ISE Nikkei 50 index gained 2.63 at 1,279.43.

As on Monday, most traders stayed on the sidelines, reflecting uncertainties surrounding the US-Japan framework talks and Tuesday's meeting of the US Federal Open Market Committee. Yesterday was also the last trading day for delivery of September index futures.

The thinness of the market made it vulnerable to a wave of afternoon selling that began with futures traders closing positions. The ensuing decline in futures prices triggered dumping of speculative stocks and unwinding of arbitrage positions. The resulting price slide was accelerated by index-linked selling and rumours that Morgan Stanley was cutting the weighting of Japanese stocks in its portfolio.

Japan Telecom, being closely watched ahead of next month's listing of Japan Tobacco, fell Y30,000 to another low of Y4.02m. Other telecommunications stocks were mixed. Nippon Telegraph and Telephone dipped Y1,000 to Y884,000, but DDI, which lost Y8,000 on Monday, rallied Y7,000 to Y878,000.

Steelmakers suffered losses in some of the heaviest trading of the day. Nippon Steel, the volume leader, edged down Y2 to Y385. Kobe Steel slipped Y5 to Y326, Kawasaki Steel lost Y6 to Y432 and NKK ticked down Y1 to Y289.

Electricals also came under fire. Matsushita Electric Industrial receded Y30 to Y1,600, Fujitsu Y10 to Y1,040, Hitachi Y10 to Y955 and Oki Electric Industrial Y5 to Y755.

In Osaka, the OSE average slid 257.66 to 21,843.87 in volume of 36.3m shares.

Roundup

Lassitude afflicted several of the region's equity markets, as investors sat on their hands in advance of yesterday's FOMC meeting in Washington. However, there were one or two winners.

HONG KONG closed mildly weaker in drowsy trading, the Hang Seng index easing 33.39 to 9,610.24 in turnover down from HK$3.50bn to HK$2.85bn.

HSBC, the most active issue, lost 25 cents at HK$87.50. It was followed by Hongkong Land, down 10 cents at HK$19.35, while Hong Kong Telecom was 10 cents off at HK$15.50.

Sino Land, the most active of the new index entries on Monday, retreated 12.50 cents to HK$8.625, and Johnson Electric declined HK$1 to HK$21.50.

SYDNEY was nervous about interest rates as the All Ordinaries index dipped 16.2 to 2,013.8. Resources issues were dragged down by falls in the golds sector following a bullion price decline in New York, and by lower commodity prices in the US.

The gold shares index dropped 46.5, or nearly 2 per cent, to 2,343.8. Newcrest Mining lost 29 cents at A$6.50 and Placer Pacific 5 cents at A$3.93.

SINGAPORE took a last minute dive and the Straits Times Industrial index relinquished 9.97 to close at 2,289.84. The fall was caused mainly by a loss of 60 cents in Cycle & Carriage to S$12.80, and a 30-cent retreat to S$11 by Sembawang Corp.

Before that, investors seemed to believe that the Federal Reserve meeting could yield at most a 50 basis-point increase in interest rates, and that this would be acceptable.

MANILA combined fears of another rise in US interest rates with worries about delays in the implementation of the value added tax (VAT), which could put more pressure on the Philippine government deficit. The composite index ended 9.93 down at 2,934.27.

BOMBAY, also risk-averse, fell on fears of a plague attack in western India. Following Monday's halt in trading, the BSE 30-share index lost 51.97 at 4,444.56.

SEOUL registered a strong rebound in blue chips as the composite index finished 6.89 better at a new closing high of 1,052.01. In spite of the rise, declining issues outnumbered gainers by 452 to 367.

KARACHI, similarly, majored on index heavyweights as the KSE 100 index rose 17.48 to 2,237.65. Investors took positions in energy and synthetics, said a dealer.

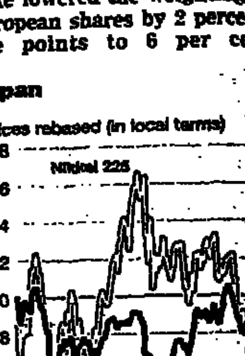
Biggs cuts Japan, US in portfolio

News that Morgan Stanley had reduced the weighting of equities in Japan, the US and Europe in its new, global model portfolio made its first impact in Tokyo trading on Tuesday, *Reuter reports.*

However, details came too late to have an effect on Monday's Wall Street performance.

Mr Barton Biggs, Morgan Stanley's global strategist, reduced the weighting of large US stocks by 2 percentage points to 11 per cent, and of small US stocks by 1 percentage point to 7 per cent.

He lowered the weighting of European shares by 2 percentage points to 6 per cent and Japanese issues to 5 per cent from the previous 8 per cent.



Mr Biggs said he saw the Federal Reserve in a "tightening mode", which meant that stocks could languish at best, and at worst could be in the second leg of the bear market that began in February.

"Central banks are so obsessed with fighting the last war, the inflation war, that they choke off what could be a new era of growth by raising interest rates," he said.

Mr Biggs raised the weighting of gold to 4 per cent from 2 per cent, commenting that the charts of the various commodity indices were very bullish. "I want to have 8 per cent in cash and 4 per cent in gold, just in case," he added.

Mr Biggs maintained the weighting of emerging markets equities and debt positions, because "the fundamentals are steadily improving and the money flows are still staggering", he said.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY SEPTEMBER 26 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY SEPTEMBER 23 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	170.89	0.3	160.93	106.62	138.16	153.56	0.1	3.61	170.32	159.95	105.19	136.75	153.38	189.15	141.54	143.93
Austria (16)	186.85	-1.0	175.97	116.58	151.07	151.00	-0.3	1.06	188.75	177.24	116.57	151.54	151.49	198.89	164.64	164.64
Belgium (37)	164.89	-1.6	155.29	102.87	133.31	130.12	-1.0	4.25	167.60	157.39	103.51	134.56	131.40	177.04	143.62	143.62
Canada (103)	137.76	-0.9	129.74	85.95	111.38	134.38	-0.7	2.50	139.03	130.56	85.87	111.63	135.34	145.31	120.54	122.83
Denmark (33)	250.92	-0.7	236.30	156.55	202.86	208.34	-0.2	1.43	252.78	237.38	156.12	202.95	208.80	275.79	223.94	223.94
Finland (24)	177.31	1.1	166.98	110.62	143.35	182.55	1.0	0.77	175.46	164.77	108.36	140.87	180.69	181.70	106.91	106.91
France (97)	166.48	-1.7	156.78	103.86	134.59	138.75	-1.1	3.17	169.32	159.00	104.57	135.94	140.25	185.37	158.34	165.08
Germany (58)	141.25	-1.6	133.02	88.12	114.19	114.19	-1.0	1.80	143.62	134.87	88.70	115.31	115.31	150.40	124.39	124.39
Hong Kong (56)	397.22	0.1	374.08	247.82	321.15	394.09	0.1	3.08	396.99	372.81	245.19	318.74	393.67	506.56	296.56	298.98
Ireland (14)	204.34	-1.8	192.43	127.49	165.21	185.10	-1.4	3.44	207.97	195.30	128.44	166.97	187.81	216.60	162.65	162.65
Italy (59)	82.83	0.0	78.00	51.67	66.96	96.76	0.4	1.60	82.79	77.75	51.13	66.47	96.40	97.78	57.88	72.13
Japan (469)	160.89	-0.9	151.52	100.38	130.08	100.38	0.1	0.78	162.36	152.47	100.28	130.38	100.28	170.10	124.54	152.94
Malaysia (97)	575.02	-1.5	541.52	358.76	464.90	588.38	-1.1	1.48	583.68	548.11	360.48	468.61	574.63	621.63	403.91	403.91
Mexico (18)	2414.12	2.4	2273.48	1506.15	1951.75	8848.82	1.1	1.16	2357.35	2213.71	1455.91	1892.62	8756.74	2647.08	1661.23	1672.41
Netherland (27)	208.26	-1.1	196.13	129.94	168.38	165.61	-0.4	3.48	210.61	197.77	130.07	169.09	166.35	218.19	180.25	180.25
New Zealand (14)	72.40	-0.2	68.19	45.17	58.54	63.78	-0.3	3.75	72.54	68.12	44.80	58.24	63.94	77.59	59.22	60.04
Norway (23)	192.75	-1.1	181.52	120.26	155.83	178.11	-0.5	1.96	194.80	182.93	120.31	156.39	179.06	211.74	165.52	167.71
Singapore (44)	369.16	-0.5	347.68	230.33	298.48	252.98	-0.1	1.67	371.19	348.57	229.25	298.02	253.24	378.92	288.62	288.62
South Africa (59)	311.28	-0.5	293.14	194.21	251.66	288.47	-2.2	2.22	312.89	293.83	193.24	251.21	295.10	314.24	188.17	188.17
Spain (42)	138.74	-1.0	130.65	86.56	112.17	135.34	-0.5	4.26	140.19	131.65	86.58	112.56	136.08	155.79	128.88	133.06
Sweden (36)	222.78	-0.9	209.80	138.99	180.12	246.78	-0.8	1.62	224.89	211.19	138.90	180.58	248.71	231.35	175.83	187.41
Switzerland (47)	164.61	-1.2	155.02	102.70	133.09	131.37	-0.9	1.85	166.55	156.41	102.86	133.72	132.53	176.56	137.34	137.34
United Kingdom (204)	192.45	-1.3	181.24	120.07	155.60	181.24	-1.0	4.19	194.90	183.03	120.38	156.49	183.03	214.96	181.11	183.87
USA (516)	188.12	0.3	177.16	117.37	152.09	188.12	0.3	2.89	187.56	176.13	115.83	150.58	187.56	196.04	178.95	187.14
EUROPE (717)	168.45	-1.2	158.64	105.09	136.19	149.32	-0.8	3.12	170.55	160.16	105.33	136.93	150.52	178.58	153.98	153.98
Nordic (116)	216.64	-0.6	204.02	135.16	175.15	205.41	-0.3	1.44	217.85	204.58	134.65	174.90	206.08	222.18	173.19	178.25
Pacific Basin (748)	170.71	-0.8	160.76	106.51	138.02	111.45	0.1	1.08	172.10	161.62	106.29	138.18	111.40	178.86	134.79	157.65
Euro-Pacific (1465)	169.63	-1.0	159.75	105.83	137.14	128.71	-0.3	1.94	171.32	160.88	105.81	137.55	127.10	175.14	143.88	156.03
North America (619)	184.99	0.2	174.21	115.41	149.56	184.39	0.3	2.87	184.53	173.29	113.97	148.16	183.92	192.73	175.67	183.17
Europe Ex. UK (513)	151.73	-1.2	142.89	94.66	122.67	130.05	-0.7	2.49	153.60	144.24	94.86	123.32	130.96	158.12	134.97	134.97
Pacific Ex. Japan (279)	265.72	-0.3	250.24	165.78	214.83	236.60	-0.2	2.74	266.49	250.26	164.59	213.96	237.11	296.21	203.33	203.91
World Ex. US (1645)	171.71	-0.9	161.70	107.13	138.82	130.60	-0.3	1.94	173.32	162.76	107.04	139.15	131.04	176.65	145.58	156.15
World Ex. UK (1957)	174.53	-0.4	164.36	108.89	141.11	145.04	0.0	2.08	175.27	164.59	108.25	140.72	145.07	178.59	165.96	163.72
World Ex. So. Af. (2102)	175.27	-0.5	165.06	109.35	141.70	147.35	-0.1	2.28	176.15	165.41	108.79	141.42	147.48	180.03	158.54	165.48
World Ex. Japan (1692)	186.31	-0.3	175.48	116.24	150.63	176.51	-0.2	2.92	186.92	175.53	115.44	150.07	176.88	195.20	174.11	174.11
The World Index (2161)	176.13	-0.5	165.87	109.89	142.40	148.39	-0.1	2.28	177.01	166.23	109.32	142.12	148.56	180.80	158.85	165.50

PLEASE NOTE: A preliminary list of quarterly constituent changes (effective October 3) to the FT-A/W Large & Medium-Small Cap Indices is now available from NatWest Securities Limited and Goldman, Sachs & Co. Latest prices unavailable for this edition.